

Vol. XXIX, No. 5
TECHNOLOGY DEPARTMENT

Florists' Credit Losses Small—Page 9

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CREDIT

MONTHLY

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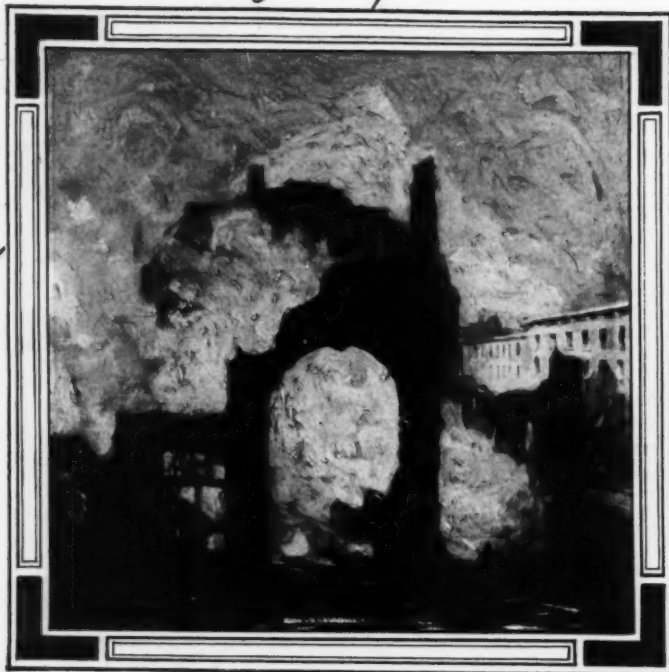
*Motor Roads to Louisville for the
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Page 13

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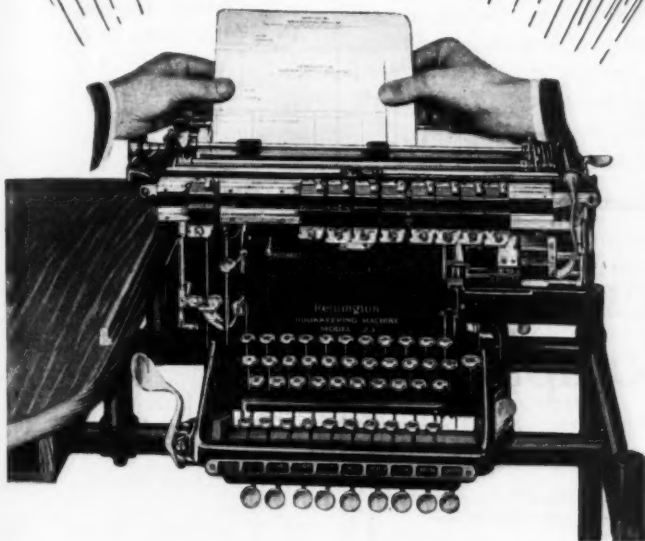
ATLANTA

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MAY, 1927

1

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Credits at Foreign Trade Council Convention

WITH the co-operation of the Foreign Trade Department of the National Association of Credit Men, there will be a Foreign Credits Session at the Fourteenth Annual Convention of the Foreign Trade Council, to be held in Detroit May 25-27.

The Council is composed of manufacturers, merchants, exporters and importers, railroad and steamship men, bankers, insurance underwriters and others representing all sections of the United States and all elements of foreign trade.

Other subjects covered in the program of the Convention, as announced by the chairman of the Council, James A. Farrell, of the U. S. Steel Corporation, New York, are: Co-operation for Export; Special Problems Small Manufacturers; The Merchant Marine; Relief of Foreign Traders from Taxation; Bargaining Tariff; Export Competition; Trade Advisory Service; Standardization of Procedure and Documents; Imports; Foreign Loans; Government Co-operation; Export Advertising; Trade With Canada.

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NEW YORK

Statement of Condition, March 23, 1927

RESOURCES

Cash on Hand and Due from Banks	\$101,474,419.64
Exchanges for Clearing House	39,528,661.15
Call Loans, Commercial Paper and Loans eligible for Re-discount with Federal Reserve Bank	153,727,367.93
United States Obligations	39,162,378.83
Short Term Securities	42,951,224.13
Loans due on demand and within 30 days	70,276,562.92
Loans due 30 to 90 days	47,142,210.81
Loans due 90 to 180 days	39,619,227.72
Loans due after 180 days	12,222,032.02
Customers' Liability for Acceptances (anticipated \$2,801,986.43)	41,586,165.31
Bonds and Other Securities	12,439,428.92
New York City Mortgages	8,670,704.68
Bank Buildings	3,527,443.50

\$612,327,827.56

LIABILITIES

Deposits	\$484,521,567.01
Official Checks	16,739,134.78
Acceptances (including Acceptances to Create Dollar Exchange)	44,388,151.74
Discount Collected but not Earned	1,253,393.64
Reserve for Taxes, Interest, etc.	3,134,740.02
Dividend Payable March 28, 1927	1,120,000.00
Capital Stock	32,000,000.00
Surplus and Undivided Profits	29,170,840.37

\$612,327,827.56

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Nominations Committee

The Nominations Committee of the National Association of Credit Men which will function at the 32nd Annual Convention at Louisville, June 6-10, will consist of the following:

EX-PRESIDENTS

R. T. Baden, chairman, Baltimore.
Eugene S. Elkus, San Francisco.
E. P. Tuttle, Boston, Mass.
J. E. Norvell, Huntington, W. Va.
W. F. H. Koelsch, New York.

MEMBERS AT LARGE

C. R. Burnett, American Oil & Supply Co., Newark, N. J.
C. E. Meek, Chemical National Bank, New York.
S. J. Whitlock, Belding Bros. & Co., Chicago.
A. J. Goldwater, Stewart Dawes Shoe Co., Los Angeles.
W. D. Shelly, John B. Stetson Co., Philadelphia.
J. H. Scales, Belknap Hardware & Mfg. Co., Louisville.
H. L. Welch, 1st National Bank, St. Louis.
C. H. Dollison, Perkins Dry Goods Co., Dallas.
W. A. Williams, Williams & Reed, Richmond.
C. L. Davies, Ridenour Baker Grocery Co., Kansas City.

MEMBERS FROM DISTRICTS

1. E. L. Harris, Swift & Co., Boston, Mass.
- 2.
3. Frank C. Demmler, Demmler Bros. Co., Pittsburgh.
4. J. W. Otten, Hanselmann-Johnson Co., Cincinnati.
5. A. J. Peoples, Detroit Copper & Brass Rolling Mills, Detroit.
- 6.
7. H. D. Carter, Dougherty-Little-Redwine Co., Atlanta.
8. H. G. Lohman, C. Gotzian & Co., St. Paul.
- 9.
10. E. D. Ross, Irwin-Hodson Co., Portland, Ore.

SPECIAL R. R. RATES

SPECIAL, reduced rates for those who attend the Convention have been arranged. All details will be supplied, on request, by secretaries of local credit men's associations.

Individual members of the N. A. C. M. should get in touch with the nearest local Credit Men's Association or with Waid H. McKnight, Convention Director, care of Louisville Association of Credit Men, Kenyon Building, Louisville, Ky.

MAY, 1927

3

Proposed Amendment to N.A.C.M. Constitution

THE amendment to Article VIII of the Constitution and By-Laws proposed by the Board of Directors of the National Association of Credit Men at its annual meeting in Atlantic City during the week of September 20, 1926, is as follows:

"The Officers of this Association shall consist of a President, a Vice-President for each of the three Divisions, a Treasurer and a Secretary. There shall be a Board of twenty-four Directors until the membership of the Association has reached 40,000 and then the Board shall be enlarged by the addition of one Director for each 5,000 increase, or fraction thereof. The Officers shall be members of the Board of Directors by virtue of their offices. The Officers shall serve for one year or until their successors are elected and qualified. The Officers shall serve without compensation except the secretary and treasurer, whose salaries shall be fixed by the Board of Directors. *The Directors shall serve for a period of three years except when vacancies are to be filled or it is deemed expedient by a Convention to equalize the number of Directors retiring annually. In order to bring about the three year term for each Director elected at the Convention of 1927, of the twelve (retiring) directors eight shall be elected for three years and four for two years. At the Convention of 1928, eight Directors shall be elected for three years and four for one year. Thereafter all Directors shall be elected for three years, but in no instance can a Director be re-elected immediately on the expiration of his term of office.*"

"Every Good Credit Manager Is a Good Scout"

THIS comment was made on the article "The Good Scout" which appeared in the April CREDIT MONTHLY together with the photograph by Underwood & Underwood on the cover of the magazine showing a Boy Scout doing a good turn—"It is the strongest appeal to business men that I have ever read."

Another reader comments on the article as follows: "If these credit laws were printed on a card and placed on the desk of every credit executive, and if he lived up to them, we would surely have a better credit fraternity."

A Connecticut reader says: "Like

THE

CREDIT

MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

RODMAN GILDER, Editor

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CREDIT MONTHLY
May, 1927

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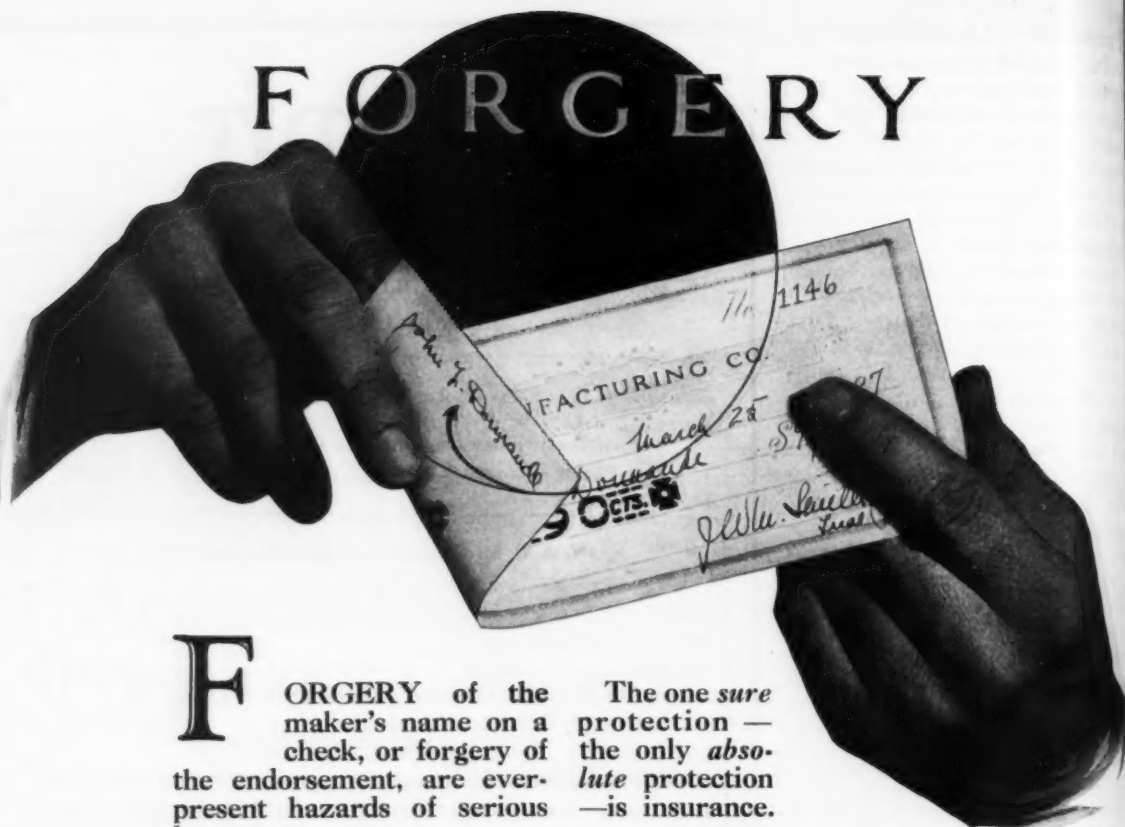
Vol. XXIX
No. 5

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thousands of other business men, I am deeply interested in the Boy Scout movement. The analogy is a fair one that the CREDIT MONTHLY

draws between the principles of the Boy Scout and of the modern Credit Manager. Every good Credit Manager is a good Scout."

FORGERY



FORGERY of the maker's name on a check, or forgery of the endorsement, are ever-present hazards of serious loss.

Check losses in this country exceed \$100,000,000 yearly—and losses from forgeries contribute in no small measure to this staggering total.

Check-writing machines and safety paper have largely reduced losses from raising or altering. But in the nature of things they cannot remove the *forgery* hazard.

Even the most carefully protected check has these two vulnerable points.

The one *sure* protection — the only *absolute* protection — is insurance.

And note this: the Check Alteration and Forgery policy issued by The Metropolitan Casualty Insurance Co. allows you *liberal discounts* from the premium rate if you use check-writing machines and safety papers.

These substantial discounts bring Complete Check Protection within easy reach of everyone who needs this important protection — and few indeed do not.

Ask the Metro Agent.

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Thanks

"I HAVE been calculating and find I have helped twenty-eight different men to get good jobs in the past ten years," remarked the Sales Manager. "And how many of them, after landing comfortably in the new positions, do you think took the trouble to thank me?"

"Go ahead, what is the answer?" asked the Credit Manager.

"Exactly two! Wouldn't you think, Joe, that merely to lay the foundation for favors in the future a man would make a point of dropping at least a kind word to the person who has helped him along the way? I don't want anything elaborate in the way of engraved resolutions or a testimonial, but sometimes I think that there is a little coming to those who go out of their way to help other people."

"Now that you have got that off your mind, I hope you feel better," said the Credit Manager, smiling, "but as a matter of fact, Jim, you are way off. Have you ever analyzed yourself deeply enough to inquire what your own motives were in helping these men? Did you never have a lurking thought that some day they might help you, directly or indirectly? Did you not make some of your efforts to gratify a sense of power in being more capable than the other fellow? Did you help them primarily to get their thanks?"

"You're a nice, sympathetic friend! Next time, I will unburden myself to somebody else," said the Sales Manager with an attempt to smile.

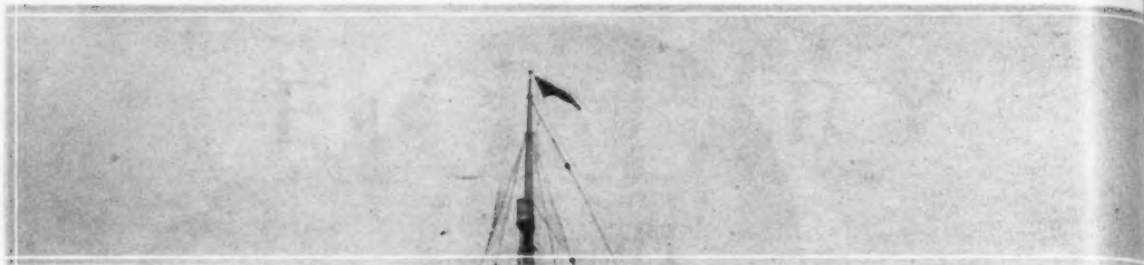
"That's all right," said the Credit Manager, soothingly. "I think I know what your chief motive was in probably every case; you helped these men because you had a decent, generous impulse to do so and you certainly did not help them in order to get their thanks."

The Sales Manager looked more cheerful.

"In expending the effort," the other continued, "you merely helped to offset the hard luck and selfishness that we all meet with in this vale of tears. And moreover, your statistical research, showing that one man thanked you out of fourteen, will not in the least modify your behaviour from now on. If I know you as well as I think I do, you will keep right on helping the other fellow—as long as you are fortunate enough to be in a position to do so. Let's go out to lunch."

Robtman Gilder

Editor.



LEVIATHANS

SINCE argosies sailed the southern seas carrying gold, spices and precious silks, mariners have looked to the indemnifying power of insurance to aid them in carrying on their trade. Look along the wharves of any seaport town today and visualize the part that insurance is called upon to play in the commerce of the world.

The ships themselves represent the investment of fortunes guaranteed by insurance, but of

even greater importance are the cargoes which fill them. Destined for coastal shipment or to some point on the other side of the world a large percentage of these goods embark for their destination on credit protected by insurance.

These world wide operations could be done only at an extremely great individual risk were it not for the constructively applied force of insurance.

This is an advertisement by The Home Insurance Company of New York presenting the place which Fire Insurance takes as a vital factor of the nation's development.

THE HOME INSURANCE COMPANY, NEW YORK

Charles L. Tyner, *President*



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THE CREDIT MONTHLY

Vol. XXIX

MAY, 1927

No. 5

Credits in Oriental Rugs Terms and Customs in a Picturesque Trade

By Alphonse Tonietti



S. A. HAYIM

America has been blessed," declared S. A. Hayim, a prominent rug-merchant who started about ten years ago with but a single carpet as his entire stock-in-trade. "Like the magic carpet of the Arabian Nights tale, these rugs of the Orient have soared both in popularity and volume until to-day there is no reason why any person of modest means should not satisfy the whims of his childhood dreams by covering his drawing-room floor with a Persian, Turkish, Indian or Chinese carpet, that suggests the charmed palaces of Khans, Sultans and Sheiks.

"As in some other lines of business, personality is an especially powerful factor in climbing the hill of fortune in this field. To begin with, the Oriental rug trade has been popularized by the Orientals themselves through sheer perseverance and salesmanship. Woven in countries whose populations are made up of a tangle of motley races—unfolding greater variety than the texture, design and coloring of this exotic mer-

**"O R I -
E N -**
TAL rugs, rich in the gaudy hues and whimsical designs that enchant the imagination with their mystic runes, have profited by the present-day prosperity with which

chandise—these rugs find their way into the American home from the hands of veritable Phoenician, Syrian, Babylonian, Turkish, Persian, Arabian, Egyptian, Grecian and other Oriental traders who exchange their goods with each other amidst a babel of languages older than the first rug ever woven, and that in the heart of ever-changing New York.

"Selling an Oriental rug through the various stages until it reaches the consumer entails a number of operations so dependent on credit and personal contact, so full of romance that those who score eventual success in this line come out with a supply of self-reliance and expert knowledge which only years of endeavor could mature. The magnitude of such enterprises may be judged by the fact that the American public had to be actually educated to an appreciation of the decorativeness and durability of this Oriental product.

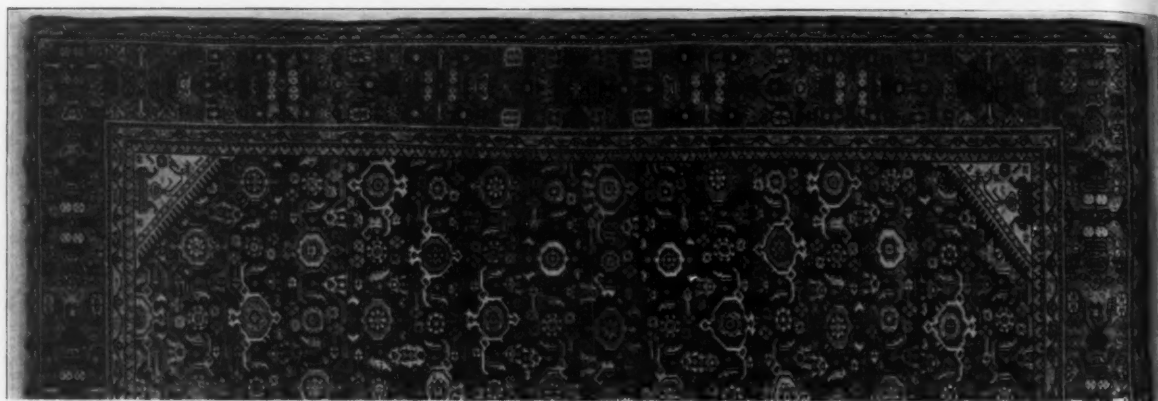
A Meaning of Its Own

"The Oriental rug trade is in reality a series of credit transactions practically from the loom until the goods are purchased by the ultimate consumer. Let us trace a Persian rug, for instance, through its various credit phases. In Persia rugs are for the most part woven by women who thus while away the tedium of their humble homes, putting into their handiwork all the ingenuity of their imaginations by drawing on the symbolism which from time unrecorded has been the dower of Oriental mysticism. Every unit in the de-

sign of an Oriental rug has a meaning of its own, every aesthetic quirk in the background, medallion or border, stands for an idea sanctified by tradition.

"Provided this female artisan has enough money with which to buy wool and dye, no other expense is entailed. A pair of house scissors, a discarded comb and a makeshift loom make up the entire working apparatus. She begins her arduous task according to a set plan for the design which is made up of innumerable knots painfully tied by the fingers. The particular weave of the rug depends upon and is named after the locality where the worker lives—Feraghan, Kashan, Sarouk, Kerman, Bokhara, Hamadan, Tabritz, Isfahan.

"Let us assume the size of this rug to be 9 by 12 square feet. On an average it takes a year to weave such a rug. Unless the crop is abundant, the worker's husband, or whoever the head of the household might be, will be sure to approach a rug-jobber—generally known as *Boonakdar*—and entreat him to examine the first few feet of the work. The Boonakdar condescends to seek the house and, being a shrewd businessman, he begins to find flaws in the rug. But he finally accepts to leave a meagre deposit for the rug. As the months elapse and the wool supply begins to dwindle, the Boonakdar is again sought and asked to examine the work. The husband explains that more money is needed and the Boonakdar protests, but he finally extends another payment. As a matter of



Sapphire, red, gold, amethyst and green are the colors used in weaving the design of the Eighteenth Century Persian rug, (size 4 x 6½ feet) half of which is shown above, through the courtesy of the Tiffany Studios, N. Y. These rugs bear the name of the locality in which they are woven—this one is called a Feraghan.

fact by the time the rug is completed the Boonakdar would have paid the full stipulated amount in various instalments.

"In this manner the Boonakdar goes around from house to house for his stock," continued Mr. Hayim. "He either makes advance payments or purchases the rugs ready from less needy households. He not infrequently orders the design beforehand. To the Boonakdar's godown [warehouse] in the caravan-serai the rug-agents and local merchants repair at certain times and select the goods they need. This transaction is invariably conducted on a cash basis. Once bought these goods are packed in burlap bales and sent by caravan to Bagdad whence they are transported by a river-boat to Basrah, at the head of the Persian Gulf. From Basrah they are loaded into seaworthy ships which carry them to Bombay where they are transhipped to their British or American destinations.

Will Remit, Allah Willing!

"In shipping goods on consignment to a commission-agent (in the United States, for instance), whom he knows, the merchant in Persia usually mails his consignee a letter like this: 'We are shipping you ten bales of rugs, as per consular invoices enclosed. Inshallah [Allah willing] you will remit us the amount as soon as you have sold them! For all profits are the bounty of Allah!'"

"Letters couched in such simple and unbusinesslike language," remarked Mr. Hayim, "come to me in

various languages and oftentimes my consignors know about me through some one else's recommendation. At times, however, we go to the extent of authorizing our consignors to draw on us, through their bank to the extent of 60 per cent. of the Consular Invoice price on their presentation of the documents (the Bill of Lading and the Consular Invoices) to the same bank. The balance of the invoice price and the net profit we remit after the goods are sold. This is the customary procedure. You see, it is entirely fiduciary, since the bank on the other side does not examine the class of goods upon accepting these documents. We trust each other.

"Another credit story begins to unfold after these rugs arrive in this country. We are wholesalers and our customers are either the department stores or the dealers. After paying Uncle Sam a duty of 55 per cent. ad valorem—besides other expenses, such as plain washing, chemical washing, dusting—the dealers come to us expecting to make their purchases 'at 90 days' credit or ten days 2 per cent. off,' as our formula goes. But they almost never avail themselves of this 2 per cent. discount. So we have to wait fully three months. In many cases our relation with the dealer is again fiduciary—he is either from our country or has been known to us or to our friends as a dependable person. Those we do not know we look up; even, then we oftentimes take a chance.

"In this regard the department stores are good to us. If they do not

avail themselves of our ten days' offer, we can usually arrange to discount their bills through our bank. During the last few years, though, these department stores have not been buying from us importers as much as we should have liked to sell them, since they are now sending their own buyers abroad to do the purchasing for them.

Customs Report

"To show how fast Oriental rugs are gaining in popularity, let us see what Uncle Sam's Customs Reports have to say," Mr. Hayim continued, reaching for a U. S. Department of Commerce report in book form. "Under the heading Oriental and other imported rugs not made on power-driven looms, the following figures are given: 1922—\$2,262,275; 1923—\$10,458,657; 1924—\$12,067,373; 1925—\$14,711,737. These figures represent the cost price of these goods. When a custom duty of 55 per cent. together with other expenses and profits are added to them the amounts are more than trebled.

"Throughout the United States there are about 1,200 wholesale and retail dealers in Oriental rugs and of these 150 are classified as being worth \$100,000 and more. A good many of these firms and department-stores are millionaire concerns—some have a turnover of several millions of dollars. You see that in spite of the heavy expenses which Oriental rugs have to carry before they reach the consumer they are commanding a fast-growing market."

Florist Credit Losses Small

Wholesalers Co-operate and Are Strict on Terms

By Eleanor Boykin

"WHEN tulips bloom in Union Square — And fragrance fills the vernal air,"—that is to say, when Spring, after several timid peeks around the curtain of Winter followed by as many disappointing disappearances, has finally arrived and taken full possession of the stage, the joy of the golf, motor and baseball fans is great. But it is as nothing in comparison with the exultation

felt by the florists who know that they can now, if ever, depend upon the public to "say it with flowers," without their making a brave stand for patronage by offering sweet peas in December and apple blossoms in January. A few may gather their silent utterances of dogwood and rhododendron on the bank where the wild thyme grows, but most of us who make up the public will depend upon our favorite florist to pluck the flow-

ers that are to say our say for us and to distribute them on Easter, May Day and Decoration Day to the addresses we write down. Our spring sentiment is the florists' profit.

Those who look in at a florist's shop and see daffodils, roses, and lilies in decorative profusion have visions of flowering fields and blossoming beds, but not of the wholesaler through whose hands the flowers have come in staggering quantities from the nurseryman. Yet the wholesaler is the pivot of the flower marketing situation.

A visit to the wholesale flower district in New York City is as interest-

ing as informative. It is somewhat of a shock to find fragile flowers and delicate plants sold in bulk like rhubarb or potatoes, even though handled much more tenderly. And imagine pussy willows tied in sheaves like wheat, and whole armfuls of lilies-of-the-valley waiting to be bought and separated into individual flowers for bride's bouquets and bridegroom's boutonnières!

But once get the picture of flowers

any other.

"The credit problems in our business are exceedingly difficult and delicate," Mr. Rigby began by admitting. "Most of the dealers to whom we sell have very little capital, and their assets you may consider nil. When there is a failure, there is virtually nothing a creditor can realize on—a few fixtures which might as well be given away, an ice-box and perhaps a few bolts

of ribbons, some baskets and an urn or two. There might be several pots of ferns or palms that could be salvaged, but nothing more.

"Consequently, the granting of credit is almost entirely on the basis of the moral risk. Yet in spite of this, and in spite of the fact that from 40 to 60 per cent. of our business is on credit terms, our losses are negligible; scarcely, I think, one-tenth of one per cent.

"How do I explain it? Well, in the first place,

terms are strict, and in the next place, the florists have learned to stick together in demanding prompt payment so that deadbeats do not get very far in running up debts. All credit customers, when they come in, sign their purchase slips, and from these the statements are made up on the first of every month. A man is given until the 10th of the month to pay, and after this he is considered delinquent, although he is not blacklisted until the 25th. If his bill is unpaid on that date, we will not sell him except for cash. Excuses are without effect.

(Continued on page 28)



Salesroom of a prominent wholesale florist (James Rutig & Co., New York), where the retail merchant makes his choice of stock.

as commodities to be bought and sold like any other commodities, and the next impression is that of the extreme perishableness of the merchandise. What about credit in such an industry? Is it likewise perishable?

The questions were put to T. B. Rigby, credit manager of the New York house of S. S. Pennock Company, of Philadelphia, which also has branches in Washington and Baltimore. His answers brought forth the startling information that in an industry where the risks are probably greater than in any other, the losses are as small if not smaller than in

Exec. Mgr. Tregoe Retires

Will Hold Advisory Position with N. A. C. M.

After July 1, 1927

J. H. TREGOE, who has been actively identified with the National Association of Credit Men since its inception in 1896, will retire from his position as executive manager of the organization on July 1, it was announced on April 11 by W. H. Pouch, president of the Concrete Steel Company and president of the association.

According to Mr. Pouch, no steps have been taken to appoint a successor for Mr. Tregoe, who has made no plans beyond giving up his active work and making his permanent home in California after a trip abroad this summer with Mrs. Tregoe.

Mr. Tregoe's decision to retire comes only a short time before the 32d Annual Convention of the Association at Louisville, Kentucky, from June 6 to 10, which will be known as the Silver Anniversary Convention in honor of Mr. Tregoe's first election to the presidency of the Association 25 years ago this June at Louisville.

Mr. Pouch said that the directors of the organization have persuaded Mr. Tregoe not to withdraw entirely from participation in its affairs, as he had planned to do, and that after his retirement he will act in an advisory capacity. He added that for several years Mr. Tregoe has been planning to retire and had postponed his going yearly at the behest of the directors, but that this year he is adamant in his determination to retire.

Authority on Credits

"In the years of his active work in the credit world J. H. Tregoe has built a unique position as an authority on the subject of commercial credits," Mr. Pouch said, "and his writings have won him the title 'Credit Philosopher'. His work in the field of credit has been largely instrumental in building up the Nation's credit technique which enables us to carry on a 100-billion-dollar yearly commerce on a basis of but five billions of gold in circulation.

"Mr. Tregoe's career is without parallel in commercial history, inasmuch as he was a pioneer in the credit field and rose to his present position alone at the top by climbing steps which he made himself, without precedent in this or any other country to guide him.

"The principles on which the nation's credit technique is based were worked out largely by Mr. Tregoe; and the strength of the foundation which supports our huge commercial structure proves the soundness of his thought and the keenness of his vision.

Law Degree at Forty

"He was born in Baltimore 61 years ago and for 37 years has been in credit work. At the age of 15 he left school and went to work as a clerk for a ship chandler. After a few years of work he felt that lack of education was a serious handicap, and he set out to educate himself. He studied constantly in his leisure time and at the age of 40 received the degree of Bachelor of Law from the University of Maryland.

"From 1902 to 1904 he served as president of the National Association of Credit Men, and in 1912, withdrawing from business, was chosen to fill the position of executive manager, secretary and treasurer."

Writing in the *Daily News Record*, New York, S. S. May says: "At the time Mr. Tregoe received his law degree he was a member of a shoe manufacturing company. Thereafter for five years, he was engaged in the investment banking business, and in 1912 was made secretary-treasurer of the National Association of Credit Men, which at that time numbered less than 5,000 members. Today, as a result of his leadership, the Association boasts of a membership nearly six times as large, comprising representative manufacturers, wholesalers and banks in nearly 150 commercial centres.

"In 1896, when the National Association of Credit Men was started, Mr. Tregoe became keenly interested in the organization. The panic of 1893, only three years before the association's inception, wrought a business havoc which impressed him deeply.

Studied Business Fabric

He began to study the fabric of business, with a view toward finding means of better economic conditions; and came to the conclusion that lack of proper credit organization was the chief cause of the disaster. Mr. Tregoe has spent his life since then fighting for the improvement of credit conditions, and on all hands is recognized as having done an invaluable work in laying the foundation for the country's present prosperity.

"Associates of Mr. Tregoe ascribe his success to his affability, determination, studious turn of mind, eloquence, analytical powers, and ability to escape being trammelled by details. He writes four or five editorials each month for the association's official magazine, the *CREDIT MONTHLY*, and a Monthly Letter of seven pages in length on credit and business topics. These editorials are widely quoted throughout the whole country by daily papers and by trade magazines."

"As directing genius of the National Association of Credit Men, Mr. Tregoe has helped to secure and enforce laws for the protection of creditors and the promotion of honesty in business, has fostered and promoted the education of credit men, and brought about a stronger feeling of confidence, and a more cordial feeling of reciprocity among them. He has played an important part in the correction of unprofessional practices and pernicious abuses, and in retiring, can point with pride to the fact that his work has created a higher standard of business ethics throughout the country."



SOME MILESTONES ON THE ROAD TRAVELLED BY THE N. A. C. M.

What Has the N.A.C.M. Done?

First Hand Observations of Three Decades

By J. H. Tregoe

Executive Manager, National Association of Credit Men

WE have described the outstanding causes leading up to the organization of the National Association of Credit Men in 1896. We have endeavored to picture the principal events of the Convention at Toledo, when the great enterprise was launched—an enterprise whose promoters even could not command the imagination to pierce the future and see what a splendid servant of business had been created.

It is natural to ask, after realizing the currents that dashed onward to the culminating event of June, 1896, what has been done to justify the words of praise and the appreciation of the writer for the organization that has charmed his interest and won his admiration through three decades?

The wanderer through a dense forest has no greater difficulty in finding the trails than has the writer in picking out from the many threads woven into our organization those that give it the brightest

color, and manifest its supreme usefulness.

We are first attracted to this prominent accomplishment: The Association taught men how to live together in their business dealings; and it showed that fears, envies and destructive practices prevented the seizing of commercial opportunities and defeated the objects for which men in the deepest earnestness were seeking.

I can imagine how the mighty Captain of Syria felt when the prophet, to relieve his leprosy, told him to bathe in the River Jordan. He had expected, naturally, from the eminence of his position, something far more pretentious than immersing himself in a discolored stream. Many men, I suppose, were inclined to smile when told that co-operation built on confidence in one another would tear down the barriers of commercial distress and lead us into the paths of signal progress. Of all the accomplishments of the National Association of Credit Men, this was

the supreme one, for unless men had got together in co-operative relations and exchanged their credit experiences freely there could not have arisen that credit technique upon which the Nation's mighty commerce has very largely been founded.

State Bankruptcy Laws

When the National Association of Credit Men saw the light of day, every State had its particular barriers, not tariff walls, but the walls of individual insolvency laws. Preferences were easily possible; some of the larger concerns kept in the field staffs of young attorneys, who, at a breath of suspicion of a debtor merchant's solvency, would swoop down upon him and tear him limb from limb for the benefit of their employers. It was a deadly game, that of fighting for a preferential position in a failing debtor's affairs.

It would not have been possible to enlarge our commerce, as has

happened in the past thirty years, with such barriers in existence. Though the need of a National Bankruptcy Act had been recognized for more than a decade before our organization came into existence, one of its first policies was a firm belief that a National Bankruptcy Act was needed to create a free zone of trading throughout the whole country, and to place all creditors of the same class on an equal basis. The Act was obtained in 1898; its utility and value to commerce were at once recognized.

As it depends upon the human equation for its administration, no surprise need be felt that in some directions the application of the Act may be regarded as unfair. But all in all, credit has had no better friend, business has had no stronger ally. Without its guaranty of equality there could not have come to us the opportunities of rapid trade advance which we have enjoyed so hugely in recent years.

Bulk Sales Laws

A favorite indoor sport three decades ago with the fraudulently inclined debtor was to sell his stock in bulk, pocket the proceeds and laugh at his creditors. There was no way of reaching the debtor on criminal lines if he had broken no law, and the game could be played without fear of punishment whenever the debtor felt the urge of this deceitful method.

To encourage the enactment of laws to regulate the sale of stocks in bulk, making it necessary that vendor and vendee should put themselves in honest relations to the creditors of the vendor, was one of the Association's earliest policies. In all of the states, the District of Columbia and Alaska there is now a law of this kind, the protection of which and the saving power of which it is impossible for us to calculate in mere money.

The Association has stood a constant and persistent defender of these laws. Without its watchful eye there is no doubt but that they would pass from the statute books of the States in very short order.

Placing credit in its proper sphere, as a transaction where real value is exchanged for a promise,

thereby emphasizing the need of honor and honesty in him who gave the credit, was emphasized from the very beginning of the Association. Its constant efforts to keep prominent the delicate sanctity of the credit transaction, have furnished food for thought and have tended to put a real religion in business. Did such an appreciation rule in the earlier days of our commerce? I have not discovered it. People played fast and loose with their promises, and the measuring rod of credit, which we designate as the Three C's—Character, Capacity, and Capital—evolved as the Association stood valiantly for the proper attitude toward the credit transaction.

Credit Interchange

As business advanced and enterprises increased, the exchange of ledger experiences—the real foundation of credit technique, and recognized from the very beginning of the Association as one of the finest fruits of co-operation—became difficult as between Credit Department to Credit Department direct. To facilitate this exchange, to canvass the merchant's operations in various markets, the idea of a bureau designed especially for a wide clearance of credit transactions, and to reflect with a high degree of accuracy and completeness the manner in which a merchant was taking care of his credit transactions, materialized in a number of bureaus. The operations of these were later consolidated in a Central Bureau, which at the present time covers, in its operations, a large number of markets and reflects with a high degree of completeness the extent and character of a merchant's credit transactions.

This arm of service has been copied in independent organizations, and in some trade associations, but the foundations of it were laid by the National Association of Credit Men, but for whose pioneering work the independent and the trade bureaus would have been impossible.

Cutting Credit Losses

Too much money was wasted on unreliable, unable and fraudulent debtors. In the year of the Association's organization credit

losses amounted to approximately \$300,000,000, which, on a carefully considered estimate, was 1½ per cent. of the year's commercial credit transactions. Despite the looseness with which credit is handled today, despite the lack of understanding that causes many credit catastrophes, and despite the pressure of sales which overcomes discriminating credit judgment, the credit losses of 1926 did not exceed ½ of 1 per cent. of the year's commercial credit transactions. If the same proportion of loss had occurred in 1926 that occurred in 1896 the waste would have been unthinkable.

Saving unnecessary waste in all features of credit dealings was a paramount purpose of the National Association of Credit Men from its very beginning. When the rules of the game were trifled with, when desire to sell broke down judgment in selling, when property was unnecessarily destroyed by fire or other casualties happened that affected the integrity of credits, the Association laid a heavy hand on offenders and rebuked them soundly for unwise and profligate practices.

False Financial Statement Laws

The financial statement was in earlier days frequently the vehicle of deception. To reach the offenders by common law procedure was difficult and uncertain; therefore to broaden the conception of a financial statement made for the purpose of obtaining goods or money on credit terms and to punish offenders in a summary way, laws were enacted in many of the States based on the model statute drafted by the Association's Counsel. These laws clipped the wings of many offenders.

Liquidation and Rehabilitation

As the horizon broadened under these vigorous and far-reaching ideas, there emerged the pressing necessity of providing a medium that would reduce the costs of liquidation and assure to creditors the very highest returns in insolvent estates. The credit transaction is intangible: it is nothing

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Motor Roads to Louisville

And Side Trips from N. A. C. M. Convention, June 6-10

By Waid H. McKnight

Director, N. A. C. M. 32nd Annual Convention

IN an effort to assist those members of the National Association of Credit Men who wish to motor to the Convention to be held in Louisville, June 6-10, the Louisville Automobile Club has kindly furnished information and advice relative to desirable routings. These are of course subject to change in detours, etc.; and a last minute check-up should be made.

The main highways of the Bluegrass State are for the most part in very good condition and in early June the country and the weather make for ideal motoring. One may visit with comparative ease (a) Mammoth Cave, (b) Lincoln's Birthplace at Hodgenville, (c) "Federal Hill" at Bardstown, and (d) the far-famed Kentucky River and Bluegrass section.

Mammoth Cave is about 100 miles south of Louisville. The road to Cave City has undergone considerable repair during the past year and is being improved daily from Cave City to Mammoth Cave, this latter ten miles being gravel road. Harry G. Evans, Secretary of the Louisville Convention and Publicity League says:

"Mammoth Cave is annually visited by thousands of sightseers from all over the world, attracted by its international fame. It contains over 150 miles of charted passages ranging from small rooms and crevices to vast cathedral like domes and spaces. Within its maze of underground contours is Echo River, an underground stream upon which the visitor is taken for a ride. It gets its name from the amazing reverberating effect upon the slightest sound uttered on its waters. One of the most beautiful effects in the Cave will be demonstrated on Echo River when the guide will invite his party to join in a song. The words will roll and echo and rebound until it seems as though a great cathedral organ is playing. Many and varied are the scenes to be viewed in Mammoth Cave. It is all so different that it is impossible to appreciate a description of the cavern until it has been seen. The imagination is stimulated and in rapid succession the visitor will pass from a crystal ball-room to a star

lit plateau, then quickly transported to a scene, taken from Dante's *Inferno*, or so it seems. Hundreds of effects, such as this will delight the cavern explorer and give him an entirely novel experience.¹⁷

It is the plan of the Louisville Credit Men to run a special excursion to Mammoth Cave from Louisville.

try; it having been surpassed in this respect by Mount Vernon. The guide at "My Old Kentucky Home" has a rich fund of stories to tell in connection with the various parts of the grounds and house. He will show the old spring house where the spring has dried up and explain how Ken-

tuckians of an earlier day were wont to sip their mint juleps here. He will tell how with the advent of prohibition the mint bed died out, the spring dried up and thus nature refused to furnish its ingredients when the United States Government prohibited the other necessary part.

At Bardstown also is the old Cathedral, the first Catholic Cathedral west of the Allegheny Mountains, which contains paintings valued at more than a million dollars, among them being several Van Dycks, a Van Eyck and a Murillo. These paintings were a gift to the Bishop of Bardstown from King Louis Philippe of France in gratitude for the kindness of the Bardstown

people when he was in exile in this country.

Everyone is familiar with the early life of Abraham Lincoln: every mile of the road between Bardstown and Hodgenville is in some way connected with the Lincoln family. Also, the country is wonderfully beautiful. The Louisville Automobile Club has marked with appropriate signs the various points along the highway reminiscent of the early life of Lincoln, such as the site of the school attended by Lincoln, the Ole Swimmin' Hole, etc. No one can fail to be thrilled at his first sight of the log cabin, now housed in a granite memorial and set against a background of Kentucky hills.

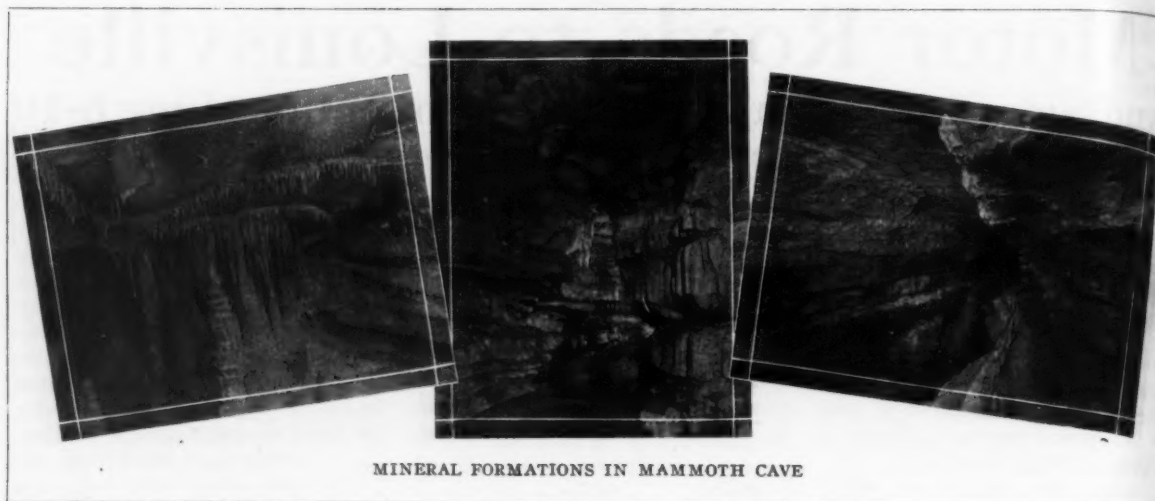
In the Bluegrass inspect the famous stock farms, (Man O' War is still drawing thousands of sight-seers); visit "Ashland" Henry Clay's home; drive along the famous palisades of the Kentucky River; view.



which will leave Saturday morning, June 11, spend the day at the Cave and return at night. The total cost will be \$8.50 including two meals.

Where Lincoln Was Born

Lincoln's Birthplace, three miles south of Hodgenville, and 69 miles from Louisville is reached through Bardstown, one of the oldest towns in the State. At Bardstown one should see Federal Hill, which was the inspiration of Stephen Collins Foster's immortal song, "My Old Kentucky Home". The composer also wrote and was inspired to write many other of his melodies while in this home. It has been deeded to the State and it is now preserved exactly as it was, with the identical furniture, when Foster stayed there. It is interesting to note that "My Old Kentucky Home" was seen last year by the second largest number of persons to visit any shrine in the coun-



MINERAL FORMATIONS IN MAMMOTH CAVE

or walk out on, High Bridge over the Kentucky River, the highest railroad bridge in eastern United States; drop in for luncheon or spend the night at the famous Shakertown Inn at Shakertown, or Beaumont Inn at Harrodsburg, where one may make first-hand acquaintance with old Kentucky ham and beaten biscuits; and find pleasure in a thousand and one magnificent views along the route.

Mere words are inadequate to describe the beauties, the courtesies and the hospitality awaiting those who visit Louisville and motor through the State.

Motor Routes from Chicago

There are several recommended routes from Chicago to Louisville, the one through Watseka, Lafayette and Indianapolis and the other over Illinois State Road No. 1 to Lawrenceville and thence through Vincennes and West Baden to Louisville. This latter is probably preferable at all times, because it is concrete to Vincennes, and mostly all gravel in to Louisville. From Vincennes to Louisville is a portion of the Midland Trail and through the hills of southern Indiana is a most pleasant scenic drive. French Lick and West Baden Springs are just one mile off the highway.

From Kansas City the road is in very good condition. U. S. No. 40 is used to St. Louis, which, except for 26 miles of gravel, is all paved. The Illinois roads do not carry the new Federal markings, so follow Illinois State Road No. 12 to Vincennes and U. S. No. 50 and No. 150 to Louisville. This distance is 544 miles and is an easy two-day drive.

From New Orleans, one has the choice of several routes, the most used being north through Jackson, Miss., Memphis, Tenn., thence through Arkansas and Missouri to Cairo, Ill., Sandoval, east through Vincennes to Louisville. This is all hard surfaced road and a most excellent trip.

Travelers from Dallas, Texas, and points west and south will have no difficulty on the Texarkana, Memphis, Blytheville, Cairo, Sandoval, Vincennes route to Louisville.

The road from Louisville to Lexington, thence through Paris, Cynthiana and Falmouth to Cincinnati is asphalt the entire distance. Those driving to Louisville from points east of Cincinnati may use this connection, or if they do not object to approximately sixty miles of gravel, the route through Indiana may be used. This is through Aurora, Ind., on U. S. No. 50 and south on No. 31 through Scottsburg.

Coming from Eastern Points to Attend Convention

The roads are paved from virtually all eastern cities—those from Pittsburgh, Cleveland, Buffalo, Syracuse, Rochester, Albany, Boston, New York, Philadelphia, Baltimore and Washington, should come to Columbus, O. Between Columbus and Cincinnati there are several satisfactory connections; the most popular at present is a new route, which is west on the National Old Trail to West Jefferson, thence south through South Charleston, Xenia, Lebanon and through Sharonville in to Cincinnati. This avoids the larger cities and is an all paved route.

From Detroit and points north the best connection is south through Toledo and Dayton to Cincinnati. From Kalamazoo, Grand Rapids and points in West Michigan, Indiana No. 31 is now in very good condition. Continuous pavement will be had to Indianapolis. South of Indianapolis construction work is still under way on several short stretches but the detours are gravel and are giving no difficulty.

The road from Chattanooga and Nashville to Louisville is now in very good condition. The Tennessee roads are excellent and the rough stretches in Kentucky have been repaired; the drive from Nashville to Louisville can now be made in approximately seven hours.

From Asheville and North Carolina points through Knoxville, Cumberland Gap, Middlesboro, Corbin, Mt. Vernon, Berea, Lexington to Louisville, the roads are very good. There is a stretch of nine miles of rough gravel between Mt. Vernon and Berea but this is the only poor road on the entire route.

Travellers from White Sulphur, Charleston, Huntington, and Ashland to Louisville will also find very good roads, inasmuch as there are no detours on the Midland Trail in eastern Kentucky, and the rough macadam stretches have been graveled.

The Louisville Automobile Club will be very glad to supply more detailed information to those contemplating the drive to Louisville and has extended a most cordial invitation to all delegates to visit the Club, which is located at 416 W. Liberty Street, Louisville.

My Old Kentucky Home

A Hearty Invitation to Louisville Next Month

By John C. LaRue

Edison Portland Cement Co., New York

WHEN a fellow sits down and attempts to tell you boys of the National Association of Credit Men why all of you should gladly accept Louisville's invitation to be her guest during the week of June 6, 1927, he assigns to himself quite a large order.

In the first place, when a Kentuckian asks you to be his guest, he means every word of it; he is not asking you to his home to sell you a contract or to secure your aid in getting a contract; he is not asking you there for politeness' sake, or perhaps to repay some social obligation; he is not asking you there for any of those subtle, reciprocal, social, or business reasons so well known and understood by most of us; he is, however, asking you home with him because he likes you, because he feels that you are the type of man or woman who can be taken into the household of his family and treated as one of them. And lucky are we to have an invitation from such a host as Louisville!

You will find Kentuckians in many respects a good deal like other people; they have habits, good habits and tolerably good habits, but one habit predominates at all times. That is the habit of never refusing. So when you were asked to come to Louisville and to be there on Monday, June 6, 1927, they naturally expect you on that date, and expecting you, all Kentucky will be on hand to receive you, to welcome you, and to entertain you in true Kentucky style.

Dan'l Boone's State

Kentucky is one of the oldest states in the Union, being the second state admitted after the original thirteen had signed the Articles of Confederation and adopted the Constitution, being preceded in this respect only by Vermont; she was settled by a hardy and thrifty people coming from Virginia, and led by Daniel Boone, who after many battles with the Indians and enduring every hardship known to frontier life, in

time transformed what the red skins had termed the "dark and bloody ground" into one of the richest and most fertile lands in America.

In area, the State comprises about 41,000 square miles. Beginning at the Big Sandy River on the east, and Cumberland Mountains on the southeast, there is a gradual slope to the Ohio River on the North and northwest, and to the Mississippi River on the west.

East and west, the State is about 400 miles in length, and at its widest point north and south, it is about 180 miles in width; agriculture, mining, forestry, and manufacturing are the chief pursuits of its people, tobacco, corn, wheat, oats, barley, potatoes, etc., being grown in great abundance. In tobacco alone, Kentucky produces in poundage fully three-fifths of all the tobacco grown in the world. Coal and other minerals are mined in large quantities. The lumber interests are very extensive, and manufacturing of almost every

description is carried on in the cities of the state.

Horses and So Forth

Stock raising is a pursuit for which Kentucky is also known far and wide, not only are her runners, trotters, pacers, saddle horses, and stock horses known throughout the world, but she also produces the finest of cattle, hogs, sheep, etc.

From the above remarks you get a general background, a setting as it were, showing you what a solid, substantial, self supporting state Kentucky is, how abundantly supplied with every natural resource necessary to the wants of her own people. And having so many of these good things over and above her own requirements, how unselfish she has always been in sharing them with others not so fortunate.

On the Seal of the State stands emblazoned in letters that time will not efface, that mighty slogan "United we stand, divided we fall,"



A typical Ohio River steamer entering the locks of the Canal at Louisville. The locks are built on the same principle and second in the world only to those of the Panama Canal. The hydro-electric project is well under way by which the Falls of the Ohio will be harnessed to provide power for a wide territory around Louisville. One of the longest dams in existence has been under construction for about two years.



Three Louisville hotels are shown above,—from left to right, the Seelbach, the Brown (Convention headquarters), and the Kentucky. Photographs by Caulfield & Shook.

the full effect and meaning of which seem well exemplified in the lives and careers of two of Kentucky's greatest sons—Henry Clay and Abraham Lincoln, one the great commoner and peacemaker, the man who "would rather be right than be President" and who spent the last decade of his useful life in the Senate of his Country endeavoring by compromise to ward off, if possible, the horrors of Civil War over the question of slavery, and whom, had he lived, would doubtless have prevented that conflict of brother against brother; the other the Great Emancipator and preserver of the Union, who after the crisis of war came, although beset by abuse and calumny in high and low places, kept ever before him the motto of his native state, and who by his sheer courage, innate modesty, high character, lofty ideals, and purposes coupled with an indomitable will, saved his Country from the perils of disunion.

When a state has given to the Nation two such sons as Clay and Lincoln, had she done nothing more, she has amply fulfilled her destiny and paid in full her obligations to mankind; and if we during the week of June 6, 1927, in convention assembled on the hallowed ground which produced such men, take unto ourselves, as members of the National Association of Credit Men, this slogan "United we stand, divided we fall" in an honest effort to bind still closer the local associations of our organization into one homogenous working entity, we will have

accomplished something, which now, and in the future will ever redound to the good of business, not only in our country, but throughout the world.

Blue Grass

You are going to find the Blue Grass State just as she has ever been pictured to you in verse, rhyme, poetry, and song; this material age in which we live has had little effect, if any, upon the habits, manners, or customs of her people whether residing in the "Mountains," the "Blue-Grass," the "Penerile," or the "Purchase," famous the world over for the warmth of her greeting and hospitality to all strangers within her gates. She awaits your coming with a degree of expectancy which promises complete fulfillment of all her cherished traditions in this respect.

Convention Hotel Reservations

NO hotel reservations for the Louisville Convention of the National Association of Credit Men will be accepted by any hotel direct from any member. All reservations should come through the local Association Secretary and relayed to J. M. Watkins, Cashier of the Louisville National Bank, Louisville, Ky. Reservations will be assigned in the order received.

The grand old commonwealth still produces, as she has always produced, not only the fastest and most beautiful of thoroughbreds, not only the best combination of limestone water and Indian Corn that the epicure ever allowed to pass the portals of his epiglottis and warm the innermost recesses of his being, not only the largest and finest crops of tobacco grown anywhere, not only the most beautiful Blue-Grass that ever delighted the eye of man, but God bless her and a double blessing on the product I am about to mention!

God Bless 'Em!

She still produces a female of the genus homo that my limited vocabulary does not permit me to even partly describe. How can you find an adjective sufficiently superlative in scope to describe the women of Kentucky? The words are not to be found. So suffice it to say that for Natural beauty, for intellect, for grace, for style, for all those attractive, winsome, appealing feminine charms with which we think all women should be endowed, the Kentucky woman has never been surpassed nor can she ever be; and I am going to miss my guess very badly, if some at least of the eligible gay Lotharios and dashing Lochinvars riding forth to this Convention with hearts whole and fancies free, do not entirely succumb to feminine charms and linger long in lovely Louisville even after the main Caravan has

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Credit to Suit the Customer

The Successful Policy of an Old Firm

By T. Schlagintweit

Treas., Spratt's Patent Ltd., Newark, N. J.

ALTHOUGH I have been interested in reading descriptions of the credit departments of the Eastman Kodak Co., the Hercules Powder Co., Frigidaire Corporation, etc., which have been printed in the CREDIT MONTHLY, it never occurred to me that there would be any interest attached to the credit methods used in our office. However, perhaps there are more credit departments the size of this one than the size of the Eastman Kodak credit department; and I am glad to comply with the CREDIT MONTHLY's request for an article on the credit methods used by Spratt's Patent, Ltd.

I take a good deal of pride and pleasure in our credit work for the results are conceded to be satisfactory. Our percentage of bad debt loss has always been kept low—in 1926 it was only $\frac{1}{3}$ of 1 per cent.—while through aggressive sales effort and national advertising, our number of accounts has increased considerably in the past three years.

Our credit policy has for many years been based as far as possible upon the treatment of a customer as an individual. In my duties as credit manager I cannot always have personal contact with the customer. That is primarily the salesman's function. But my decision upon any order, initial or otherwise, depends to a great extent upon a personal knowledge and feeling for the customer. Each one has to be dealt with in a manner suited to his personality and circumstances. This I will bring out in my account of our credit methods.

Our credit methods rest upon certain well-defined principles which we do not change lightly, but the details of those methods are flexible enough to allow for consideration of the all-important human element and to allow a certain freedom for the individual customer. To us, our accounts receivable represent human individuals, ranging all the way from the captain of industry who guides the fortunes of a large chain store

enterprise to the obscure merchant who runs a pet store—perhaps the only pet store in a small town. We supply the needs of both, from dog biscuits to cage bird foods. From our relationships with both types of customer grows a great amount of good will, which I am glad to say is one of our greatest assets.

Let us follow the progress of an initial order through our credit department, and since our credit policy takes into account so many personal

and human elements, let us begin where the order begins—in the mind of the prospective customer.

Timothy Green, established in the thriving town of Blairsville, has recently opened a pet store, with dogs, cats, and the usual accessories. Our salesman for that territory sees that Green has a good location, that the store is well arranged and well equipped. He learns that the proprietor has had five years' experience as an assistant in a pet store in a larger city. He sells Green an order—various kinds of dog biscuit, cat food and special bird food, amounting to about \$50.

This order is entered upon a triplicate carbon form. One of these the salesman keeps himself for his own records, and two are sent to our office, one of which is filed in the salesman's folder and the other in the customer's folder. There is a space on this form for credit information which the salesman is expected to secure.

Now for any business to run properly, there must of course be the two elements, sales and credit. One should serve as a balance wheel for the other. Although we do not want the salesman to lean too heavily upon the credit department, or to take up too much of his time with the credit and collection aspect of his work, we do expect the salesman to realize that it does not pay in the end to have overdue accounts and resulting bad debt loss.

Investigation of References

In Green's case, let us suppose that the salesman gave a banking reference on the space reserved for such information, but no business references. I find that Green's name is not listed in either *Dun's* or *Bradstreet*. In that event, I write to Green and ask for business references before passing the order. When Green's reply comes, I can not only make use of the references he gives, but his letter itself tells me

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The Credoscope

J. H. Tregoe

A Credit Man's Convention at Louisville Next Month

IN the long history of annual conventions of the National Association of Credit Men, there has never been one which can more aptly be described as the credit man's own convention than the thirty-second annual gathering of our Association, for which the elaborate plans are now coming to maturity, to be held at Louisville June 6-10.

Probably not one hour of the full week at Louisville that has been planned but will have its own special value to every delegate present. There will be moments of inspiration when many of those in attendance will perhaps see for the first time the vision of achievement and purpose of our great organization. There will be many practical sessions where the worker in the field of credits will learn principles and details of his profession of lasting value to him and the concern in which he is so important an element.

The Trade Groups, which have been growing in importance every year since they were first organized as a convention feature, have often been described as a special privilege for delegates.

The entertainment features we can count upon our Louisville friends to make memorable for us; but, as has always been the case with the Conventions of our Association, these will be merely diversions in a week of serious and constructive work.

May I inject a personal note to the extent of saying:

"Friends, meet me in Louisville in June!"

Unreasonable Terms and Cash Discount Violation

THERE are two closely allied and thoroughly wasteful and disorganizing processes in connection with the cash discount. One is allowing unreasonable terms in selling commodities, and the other is permitting unreasonable violation of the cash discount by a customer. The individual enterprise is injured by such practices and business as a whole likewise suffers. It was therefore in order for the Credit Policies and Methods Executive Committee of the Eastern Division, National Association of Credit Men, to issue a vigorous denunciation of these practices, as it did at its last meeting.

Constructive competition is always exceedingly desirable; it has played a fine part in the building of the magnificent trade of this Nation. On the other hand, destructive competition violates every precept of safe business, and losses and failures cannot but result from it.

It is entirely natural that the Sales Department should often recommend the use of term inducements to stimulate distribution. But upon the Credit Department rests the responsibility of pointing out to all concerned the heavy cost and serious danger that lurks in carrying receivables for an unreasonable period, and of demonstrating that instead of stimulating sales, such carrying of receivables may eventually hinder them.

The Credit Department cannot evade the direct responsibility of the observance of discount terms. It is encouraging to observe that where there is a proper attitude toward the maintenance of sales terms, the results have been, first, a smaller

charge against profits and, second, an increase of respect on the part of debtor merchants for those houses which maintain discount terms and do not permit a fast and loose treatment of them. In every business enterprise the Purchasing Department must be taught, if necessary, that pressure on terms and discount concessions are not helpful to business and in the long run react unfavorably on the enterprises concerned.

The credit fraternity should labor persistently to convince distributors that the practice of selling terms, and the practice of allowing unreasonable discounts for cash are destructive. Such practices will never build a sound stable business.

Plain Common Sense Needed in Collections

PRACTICAL, sensible, and safe policies in the collection of receivables must be lived up to by the Credit Department in order that the credit waste that is now so heavy a tax on business may be reduced. In many directions we see an inclination to confine the activities of the Credit Department to mere mechanical and routine functions. This mechanical side of the credit work is never to be neglected. But it must be remembered that the chief purpose and value of the Credit Department is to conserve profits. This is accomplished, in the first instance, by prudent discrimination in the selection of credit risks and, subsequently, by the collection of receivables at a minimum cost.

Whenever a receivable does not liquidate at its full value, then some profit has evaporated. Without the exercise of hard-headed common sense in the collection of receivables,

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the debtor may be unnecessarily injured.

There are few credit departments whose collection methods are not susceptible of some improvement. But frequently, unnecessary costs are incurred because ordinary sensible collection methods are not applied.

In this connection, let me put this query: When an attorney is resorted to and the attorney is known only to a forwarding agency and not to the Credit Department, is it not obvious that a lack of direct control may encourage abuses and treatments of accounts, that may cause losses to creditors and damage to debtors?

At times we neglect to face the fact that, as receivables represent value conveyed to debtors, *receivables are property* and should be treated as property. Many millions annually are sacrificed by unsystematic and lax methods in the collection of receivables, and if we are to exercise the judgment and the economy necessary to a well-conducted credit department, then every dollar unnecessarily lost impeaches the intelligence of the department and clearly indicates that good methods are not used.

If practical, sensible and safe policies in the collection of receivables are strictly adhered to, credit waste will be reduced; and moreover many a deserving debtor will be saved who only needs good counsel in order to meet the difficulties of merchandising and to get over the rough spots of his business. In no function of the credit department is there a finer field for improvement and economy than in the function of collecting receivables.

The Protection of the Nation's Receivables

A FINE record is being made by the great machine for the protection of the Nation's receivables, created by the Credit Protection Fund put into operation two years ago by the National Association of Credit Men. The Credit Protection Department, in its report of operations up to April 1927, reports that from June 1, 1925, to March 31, 1927 no less than 1348 cases of credit fraud were accepted by the department. Of these 528 were closed because lack of evidence. The total number of cases pending is 603.

Six hundred and ninety-three persons were indicted and 394 indictments are pending. The total number of *convictions* is 229. The enormous deterrent effect of this sanitary work cannot be recorded in figures; but it is notable that the recoveries made for creditors in the cases handled have reached the highly gratifying total of \$509,967.46. It is therefore clear that American business can ill afford to withhold continuous and generous support of these nation-wide cleansing labors of these Credit Protection Department of the National Association of Credit Men.

Increased Uses of Credit Made Us Great

WHAT caused the magnificent increase in the financial and credit resources of the Nation during the past three decades? Thirty years ago our industrial output did not exceed ten billions a year; the output for 1926 was about sixty-three billions. Eight billion dollars represented the bank resources of the United States thirty years ago; and today the bank resources are sixty-five billions. Bank deposits thirty years ago did not exceed five billions and today there are nearly forty-eight billions. The Nation's trade has reached an aggregate five times as large as it was thirty years ago. Our credit circulation has increased in the same period in even larger measure.

It was certainly not increased money which has caused this unheard of increase in our financial and credit resources. The cause was largely the *increased uses of credit*, from top to bottom of the economic structure; and these increased uses were, in turn, made possible and safe by co-operation.

Is it not wise that this statement of the vast importance of co-operation in the Nation's commercial growth should be emphasized and, if possible, brought home to the entire body of our mercantile and financial interests? These interests should recognize that co-operation is the main-spring of the great progress we have enjoyed, and then they should keep in mind the fact that this intangible element deserves every care for its protection and preservation.

The complexities of our large business and the fierce competition, not only within certain industries, but between industries competing for the

surplus expenditures of the people, may divert our attention from co-operation. Yet if co-operation is neglected, we may unquestionably look for a diminution and slowing down in our credit circulation.

There are many temptations to neglect the law of co-operation: Self-seeking and egotistic self-protection in handling credits violates this law. Attempts to maintain individual and selfish policies in credit functions such as interchange and adjustments are likewise a crime against co-operation.

Let us give up the idea of self-seeking and let us submerge ourselves into a cohesive plan for the handling and protection of credits. By so doing we will strengthen the law that has made us as a Nation strong and rich, namely, the law of co-operation.

No better guarantee of wealth and capital building exists than preserving in all our credit methods and practices the integrity of co-operation.

There was never a time in the history of the Nation's commerce when there has been a greater incentive for every credit executive to search his heart and to recognize that co-operation in the long run produces results that individual effort cannot attain.

The Farmer's Budget Deserves Intense Study

THE cost of agricultural labor has advanced with labor costs in other fields, and is a matter with which the forward-looking farmer must calculate when he maps out his program for the year. Reduced acreage, particularly cotton acreage, the raising of food and feed crops, a greater concentration on their business by landlord farmers and by their tenants are suggestions deserving the most careful consideration. But in my judgment the most important part of the farmer's program is his budget. Co-operation in marketing, studying the needs of the people in food crop production and the need of industry in the production of staples should be emphasized in the farmer's program. And he must resist the temptation to speculate on grave chances and to buy inordinately on the deferred payment plan for his own necessities and luxuries when there is no guarantee as to his future income.

Trade Groups for Convention

Chairmen Who Will Function at Louisville

OF the Trade Groups that will meet at the Annual Convention of the N. A. C. M. at Louisville on Tuesday, June 7, the following are already fully organized under the chairmanship of the men whose names are shown.

The N. A. C. M. men in charge of the organization of these highly important group conferences at the Convention are Dr. F. A. Fall, head of the Education and Research for the Association, and E. B. Moran, in charge of the Trade Group Department of the Association.

The questionnaire cards, reproduced herewith, are being distributed throughout the trade group chairmen, and will be gathered, consolidated, and analyzed at the Convention. The survey based on these questionnaires has come to have national importance and the picture thus painted of the present and immediate future of American business invariably receives a great deal of attention.

Boots and Shoes—A. T. Woodward, U. S. Shoe Co., Cincinnati O.; Clothing, Caps and Allied Lines—James E. Black, Curlee Clothing Co., St. Louis, Mo.; Confectionery—Wm. Dalchow, American Chicle Co., Long Island City, N. Y.; Drugs, Chemicals and Allied Lines—J. E. Stilz, Keifer-Stewart Co., Louisville, Ky.; Dry Goods, Notions and Allied Lines—Geo. R. Brachey, Carter Dry Goods Co., Louisville, Ky.; Electrical and Radio Supplies—F. A. Ferguson, Westinghouse Elec. and Mfg. Co., St. Louis, Mo.; Furniture—Geo. Spencer, Spencer-Duffy Furn. Co., Grand Rapids, Mich.; Groceries (Manufacturers)—J. F. McGrath, Loose-Wiles Biscuit Co., Minneapolis, Minn.; Groceries (Wholesalers and Jobbers)—S. C. Dick, Stone-Ordean-Wells Co., Duluth, Minn.; Hardware, Auto Supplies and Allied Lines—T. M. Nesbitt, Moore-Handley Hard. Co., Birmingham, Ala.; Heating and Plumbing—B. H. Wurt-

mann, United Lead Co., 111 Broadway, New York, N. Y.; Implements, Vehicles and Allied Lines—L. D. Duncan, B. F. Avery & Son, Louisville, Ky.; Iron and Steel—H. M. Hurd, Republic Iron & Steel Co., Youngstown, O.; Jewelry—E. C. Brunst, Gruen Watch Co., Cincinnati, O.; Newspapers—J. G. Rugenstein, Indianapolis News, Indianapolis, Ind.; Paints and Varnish—C. T. Corby, Colonial Works, Brooklyn, N. Y.; Paper Supplies and Allied Lines—C. G. Hess, Lawrence Paper Mfg. Co., Lawrence, Kans.; Petroleum—M. D. Creel, Marland Refining Co., Chicago, Ill.; Stationery, School and Office Equipment and Supplies (Mfg.'s. Div.)—R. G. Echols, American Crayon Co., Sandusky, O.; Cloaks and Suits, and Dresses—M. J. Fassler, Silver Fox Co., 1385 Broadway, New York, N. Y.; Printing—H. P. Winchester, J. B. Lyon Co., Albany, N. Y.

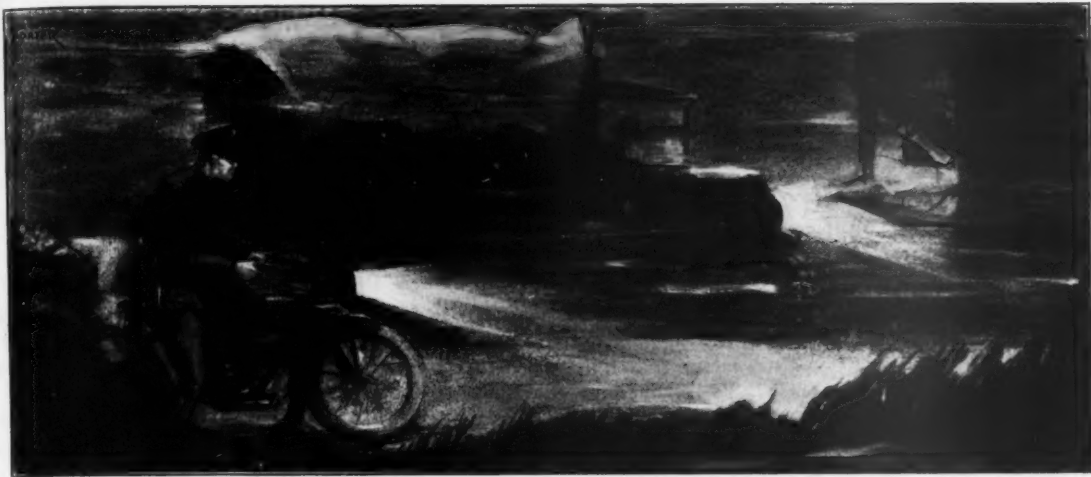
Name of Trade Group _____

Trade Group Conference, Louisville, Ky., June 7, 1927

Answer the following questions by putting a cross in the proper column at the right.

	Better?	No Change?	Worse?
1. Were your collections for May 1927, as compared with April 1927			
2. Were sales in dollars for May 1927, as compared with April 1927			
3. Were collections for May 1927, as compared with May 1926			
4. Were sales in dollars for May 1927, as compared with May 1926			
5. What are your prospects for business in the next three months (July-September)			
6. What are your prospects for business in the next six months (July-December)			
7. What obstacles, if any, do you see to a continuance of prosperity in your line?			
8. Do you represent a manufacturing house? _____ jobbing house? _____ wholesale? _____			
9. State location of business: City _____ State _____			
10. What trade classification describes your line best? _____			
Name of firm (Optional) _____			

The printed form shown above is supplied to each delegate who attends the Trade Group Conferences, and forms the basis of a survey of business conditions and prospects.



"... he recalled seeing a pair of trucks . . . hurrying toward Cosmopolis with cases of goods aboard."

The Four-Flush of Youth

By F. S. Hubbell

Mr. Hubbell, a former newspaper man and publicity manager, was recently appointed manager of the Public Relations Department of the National Association of Credit Men.

THE neighbors called the little shop on Elm Street the store of many failures. The proprietors of a half-dozen luckless business ventures came there hopefully, some of them furtively, it seemed, in their ignorance and inexperience; and then they passed along, some by the bankruptcy route, others before their capital was lost in the hopeless fight to make the business pay.

A butcher established himself there first, soon after the block was built. When he went out of business a stationer came and went; then a gift shop carried on for a few months, followed by a dry goods store, a delicatessen and a pool room, all in a few years; and then genial Charlie Harris set up his Elite Bargain Shop in the store of many failures.

Elm Street folks are neighborly folks and they soon came to know Charlie and to like him. He was a clean-cut young fellow, keen in mind, with a pleasing personality that set him in a class apart from the former proprietors of the shop. He seemed to possess the qualities that make a highly successful merchant, and the neighbors felt sorry for him because he was faring so badly.

Sometimes they went to Charlie's

and made small purchases, and when they traded there they talked with him about many things, and grew to like him better. They admired most of all his cheerfulness in the face of inevitable failure during the lean weeks that followed the opening of the shop; and they pitied him deeply when they saw him standing at his usual post in the doorway of the store, holding fast to the awning rope, waiting for customers who came so seldom and bought so little.

So it was not surprising, in view of their liking for Charlie, that when the Elite went bankrupt after two months of business life, several of the good people who lived near the store went to the trustee in bankruptcy and asked him to treat Charlie as considerately as the law would allow. Mr. Harris was such a fine fellow, they told him; it seemed a shame that such a bright young chap should have experienced such hard luck in his new store; and they hoped he might soon make a fresh start, perhaps in another city, and reap the reward he deserved.

The trustee promised his callers that Mr. Harris would not be treated too harshly in his misfortune, and that he, too, hoped Charlie might get what he deserved.

Charlie did. He opened a new store in another town, and shortly afterward he got just what was coming to him—a stiff sentence in the Federal Penitentiary in Atlanta.

Accompanying Charlie on the train

that bore him south, were, besides the guards, two other bright young business men and the Angel Abe, who was not so young, but considerably wiser and much sadder than the others. Abe's companions, in the four-flush of youth, took a less pessimistic view of things, and told themselves that three years wasn't a lifetime, even in Atlanta. They talked about the time when they could come back, afterward, and revive their profitable bankruptcy business; but Abe, with the wisdom of his years, could read the writing on the wall, and he told his companions what he saw.

"Yeh," said Abe, "when we come back we'll get us a mushroom farm, or a tea room; them blankety-blank credit birds have queered the bankruptcy racket for me, and I'm off it."

In these few words the Angel Abe spoke a great truth, which has been voiced on numerous occasions, with variations in cuss words, by other business pirates outward-bound from the busy marts of trade; and, considering the circumstances, Abe cannot be blamed for cussing the men who had brought to a close his long career as a promoter of successful failures.

As the "fence" and financial backer of the gang, Abe had built up a highly profitable business for himself and Charlie and the other two young men who completed the personally conducted foursome on the

(Continued on page 42)

Trade Group Operation

Variety of Benefits Secured by Members of Groups

By R. Guy Echols

American Crayon Co., Sandusky, Ohio

WHO else, other than a credit man is better able or more fittingly situated to study, combat and correct such things as a returned goods evil; cash discount piracy; determine safe margins for profit; find appropriate operating ratios in kindred industries; or, render helpful business service to distressed customers? The answer is astonishingly easy, it is a *group* of credit men in similar lines of business—the more, the better. Actual performance in these various phases of credit work is a big job. The banding together of a bunch of earnest credit men who sell the same class of trade, is the one best way to obtain results in credit and collections.

Personal Contact

Then, there are other gains, such as the increasing and cementing of pride in the association, its work and its possibilities; the increasing qualified membership out of which comes direct profit to the Association and esteem and credit to the credit profession itself. Last, and perhaps, most important is the shoulder touch of the brother credit manager. In a group of credit men, you discover that a fellow credit manager is much like yourself and is human, though he represent a competitor. You find he has his daily jars and joys, problems and plans, and moreover he is ready to share them with you. Such human contact with its re-newed establishment of human faith and confidence cannot be measured in dollars.

Such personal contact forms a basis by which petty variances of opinion are ironed out and most non-essential pet theories are kicked out. *Men in a group quickly recognize and become interested in agreement and lose all thought of disagreement.* I have always found that confidence and candor are typical of most credit trade group meetings. The writer happens to be National Chairman for the activities now being participated

in by the Stationery, School and Office Equipment and Supplies (Manufacturers' Division) Trade Group. To understand the scope of this group, see the diagram herewith, showing the functions of each com-

Stationery, School and Office, Equipment and Supplies, Credit Managers Trade Group (Mfrs. Divn.) Committee Program 1927

COMMITTEE ON ETHICS

Abuse of terms in selling and collecting, unethical practise in:
Sales affecting credit and collections
Credit extension
Collection procedure
Exchange of credit information.

COMMITTEE ON ECONOMICS

Most frequent causes of failure (customers of this group)
Remedies to forestall failures
Seasonal characteristics affecting credit and collections in this group.

Cash discount:

Need of it
Possibility of obtaining uniformity in rate
Possibility of reduction in rates (perhaps 1% or less).

COMMITTEE ON ORGANIZATION, EQUIPMENT AND FACILITIES

Credit department co-ordination
Devising better:
Equipment
Facilities or reporting services
Psychology of the credit and collection department (as a department and as individuals employed therein)
Department operating expense (based perhaps on average number of active accounts).

COMMITTEE ON BUSINESS SERVICE

Rehabilitation of distressed firms
Determine appropriate safe financial ratios for various classifications of customers (by class and volume).
Salvaging distressed merchandise
Develop appropriate literature for educating customers (such should perhaps be suited to assist the credit manager through his distribution of it in handling the most general problems or disputes).

mittee. This type of program with slight changes could be adopted by virtually any industrial trade group.

Each respective committee is headed by a vice-chairman and he in turn appoints three or more representative credit men among manufacturers to serve with him for one year. Work which is assigned to the particular committee is studied and reports are compiled. Such reports embrace findings as to needed improvements and (most important) recommendations as to the means of obtaining them. The committee form of program accompanying this article, is that which is in effect during the current year.

The final action upon the reports and recommendations of each committee in this trade group work is at the trade group meeting at the annual Convention of the Association. There the reports are submitted, discussed and definitely acted upon. There, too, it is decided which items shall be carried on or dropped and an organization is completed for the year following.

Service to Association

Aside from the profit afforded, through increased knowledge of the daily problems and best means of handling them, I believe the trade group movement sponsored by the N. A. C. M., has done more toward creating and maintaining the intense interest of individual credit managers in the Association activities than any other one thing. Furthermore, it has served to bring out a realization of the economic danger to the business structure through having competition exist in credit granting. That such competition does exist is a well-known, yet sad fact. There is no reason for it, but the cause is probably over-zealous sales pressure or irresolute, apathetic credit management.

Grouping, thinking, talking, credit
(Continued on page 42)

Here Are the Answers

To Fifty Questions for Credit Managers

By Dr. Regius Patoff

Professor of Triviology, University of Rien

1. In what year was the N. A. C. M. founded? 1896.

2. In what year was the Federal Reserve Law enacted? 1913.

3. What is a house collection agency? A collection medium, a department of a commercial house operating under a name calculated to give the debtor the impression that it is a private agency.

4. What are the three C's of credit? Character, capacity and capital.

5. What are the rights of creditors in respect to married women conducting a business in Florida? A married woman in Florida cannot be held liable for her debt unless she has obtained a license to become a free trader.

6. What full-time executive of the N. A. C. M. was once its President? J. H. Tregoe.

7. What is an "approved" Adjustment Bureau of the N. A. C. M.? An Adjustment Bureau affiliated with a local branch of the N. A. C. M. which complies with certain fundamental rules of operation promulgated by the N. A. C. M.

8. What are your rights if you filed your claim within the six months provided in the amended Bankruptcy Act, but after the money paid to the Court by the debtor, (in accordance with the terms of the composition) had been distributed by the distributing officer? You have a claim against debtor for the difference between the amount debtor scheduled for your claim and the correct amount of the claim. Otherwise you have no remedy.

9. By whom may bankruptcy proceedings be started? Bankruptcy proceedings may be started voluntarily by the bankrupt or involuntarily by three or more creditors having claims totalling \$500 or more. If there are less than 12 creditors, the decision may be filed by a single creditor with a claim of \$500 or more.

10. How are proofs of debt executed when the claimant is a partnership? By either or both partners.

11. Is it possible to make a series of notes in such language as to make

The Complete List

IN the April, 1927, issue of the "Credit Monthly" I promised to score answers sent in before May 1, to the "Fifty Questions for Credit Managers," which was printed on page 20. However, in response to a lively demand that the answers themselves be made public, the "Credit Monthly" prints on this page the complete list of both questions and answers, often with references.

R. P.

all of them due if one of them is in default? Yes. A series of notes which do not contain a default clause are separate instruments and non-payment of one such note gives the holder no right of action prior to maturity thereof. See page 542, Credit Man's Diary and Manual of Commercial Laws, 1927.

13. What are the names of two companies that have advertised consistently in the Credit Monthly during the past two years? Any two of the following:—Burroughs Adding Machine Co., Royal Insurance Co., American Eagle, Continental, Fidelity-Phenix, First American Fire Insurance Companies, Home Insurance Co., Queen Insurance Co. of America, Aetna Insurance Co., National Surety Co., London Guarantee & Accident Co., Great American Insurance Co., American Credit Indemnity Co., American Exchange Irving Trust Co., Bell Telephone Securities Co.

12. What are the names and cities of the two presidents of the N. A. C. M. who preceded President Pouch? President Richard T. Baden of Baltimore, who was preceded by President Eugene S. Elkus of San Francisco.

14. Who appoints a trustee in the case of bankrupt partnerships? The creditors of the partnership shall appoint the trustee. See Sec. 5b, Amended Bankruptcy Law, 1926.

15. Are negotiable instrument laws of the various States fundamentally the same? Yes, the uniform negotiable instrument act has been adopted by all of the States.

16. In what city has the Central Credit Interchange Bureau accumulated the live records of 1,900,000 debtor merchants, available to users of the service? St. Louis.

17. Do State exemption laws control in Bankruptcy proceedings? Yes.

18. What is the F. C. I. B. of the N. A. C. M.? Foreign Credit Interchange Bureau.

19. What exemptions are allowed to bankrupts? Those provided by State laws in force at the time of filing the petition in the State where the bankrupt has had domicile for the six months or the greater portion thereof immediately preceding the filing of the petition. See Sec. 6, Amended Bankruptcy Law, 1926.

20. Should trade acceptances be renewed like promissory notes? No.

21. Is the judicious expenditure of the Credit Protection Fund having a deterrent effect on the credit crook? Yes.

22. In what year did the Credit Monthly first appear in its present form? 1920.

23. When and on what days, is the 1927 Convention of the N. A. C. M. to be held? June 6-10.

24. Can a farmer go into voluntary bankruptcy? Yes.

25. When may a bankrupt offer terms of composition to his creditors? After he has been examined in open court or at a meeting of his creditors, and has filed in court the schedule of his property and the list of his creditors required to be filed by bankrupts. See Sec. 12a, Amended Bankruptcy Law, 1926.

26. Do trade acceptances bear interest? Not until after maturity unless the instrument so provides.

27. Can a corporation, under any conditions, serve as trustee in bankruptcy? Yes.

28. In what year was the Bankruptcy Law last amended? 1926.

29. Why is the 1927 N. A. C. M. (Continued on page 37)

Louisville, the N. A. C. M. C.

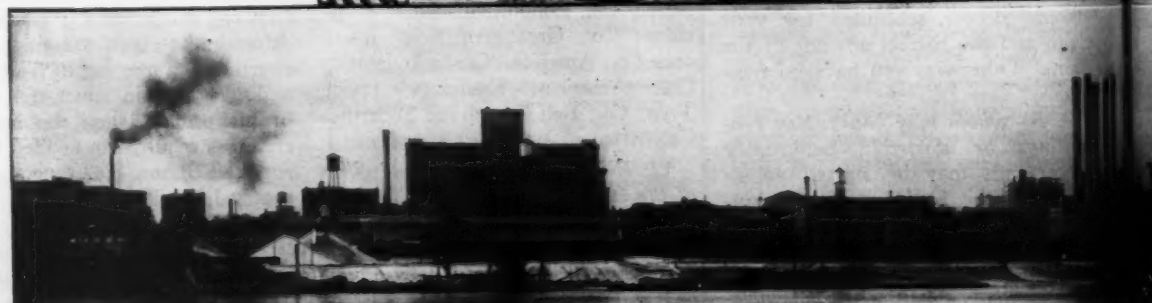


Above: View of Louisville's business section from Broadway looking north on Fourth Street.

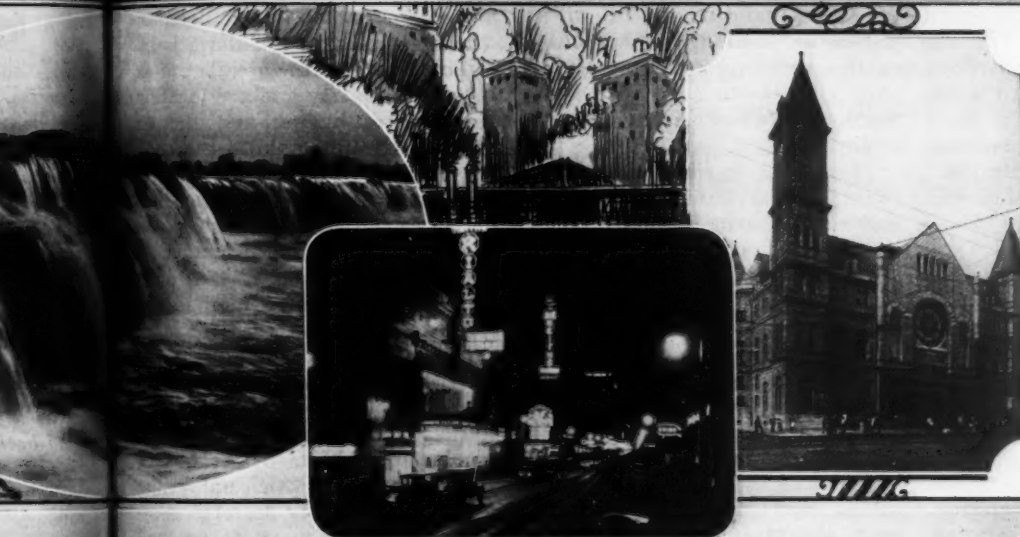
Right: A Louisville Railroad office building. Headquarters of the Louisville & Nashville Railroad.

Insert: Some Louisville residences.

Center: The Falls of the Ohio River at Louisville.



. Convention City, June 6-10, 1927



Left: View of the Union Passenger Station used by four of Louisville's nine railroads.

Insert: Fourth Avenue at night.

Below: Louisville's modern skyline viewed from the Indiana shore.



Debtor Merchant Property

How it is Insured to Protect the Creditor

By Clarence T. Hubbard

THE credit manager is usually well informed about fire insurance but it would be asking too much for him to have the full information of the insurance underwriter. Indeed, this is not necessary, for credit managers in almost all communities can get in touch with thoroughly trained insurance men. The fire insurance underwriter has to manifest the united knowledge of a college professor, economist, a business man versed in all trades, a financier, court judge and civil engineer; the prophecy of an astrologist, the memory of a detective and the courage of a platoon leader.

"Put \$20,000 fire insurance on my property," is Mr. Average Man's nonchalant order to his agent. He feels that he has done some fire insurance company a big favor. A week later he is rung up by his agent who reports that "he is trying hard to place the line" and hopes Mr. Average Man will have patience with him.

Shades of Shakespeare! Not able to place it? And the insurance companies advertise for business! Good grief! What's the matter with the property? Only last month \$30,000 was offered for it!!!

Seldom does Mr. Average Man realize that more than 10 per cent. of all the fire insurance offered fire insurance companies is declined. It's quite a process, this insuring of a house, and it's a far more involved one when it's the insuring of a manufacturing or mercantile piece of property.

The credit manager insists that the place of business of a debtor merchant be insured. An agent takes an order for the fire insurance and "binds it". That is the fire insurance term meaning that the agent is exercising his privilege to insure the property temporarily until the insurance company informs whether or not the business is acceptable. Shortly after "binding" the line he writes a policy for the

merchant and then makes out for the company what is known as a "daily report". This is sent to the fire insurance company through a Stamping Bureau, a local clearing house of scrutinization maintained by the insurance companies.

Here a human rule-book reviews the daily report covering the property to make sure that the rate is accurate and that the forms attached are proper and in full keeping with the rules applying in the territory. He and his alert assistants check it over very, very carefully. If these trained, eagle-eyed analysts are sure that everything is all right insofar as the fire insurance rules are concerned they then permit the daily report with all its pasted on working clothes—warranties, endorsements, co-insurance clauses—to pass on to the fire insurance company to which it is directed.

There it is received by the Accounts Department without any undue excitement. Here the busy pen and adding machine boys and girls give its first mark of company identification. They make a notation of the premium to be later reported and the commission to be allowed the agent. The uncomplaining daily report still has to be registered and stamped and again carefully scrutinized as a diamond is reviewed by a jeweler.

"To the Underwriters" is the next order given and arriving there the daily report faces its test.

In every fire insurance office there are huge book-bound maps which show the streets in every city and in almost every town in the country. Where the municipalities are very small, "town cards" are used. On these maps, printed in different colors, all properties of importance appear—the debtor merchant's among them. A pink color for instance in the square on the map representing the property indicates it to be brick constructed. The number of stories is lettered in one corner of

the mapped location. Other symbols however appear which indicate that it has a frame cornice or metal cornice or a composition roof or frame partitions.

If the building is only a brick veneer the underwriter knows immediately because it is shown in yellow with a pink border. If it is of concrete construction then the color blue tells the story. If solely fireproof the hue is a shade of brown. Frame construction, the most susceptible to fire, is shown in clear yellow.

Then there are a flock of little symbols scattered about which indicate whether the credit values on the premises are protected against fire by automatic sprinklers, or whether automatic fire-alarm is installed, how near the fire-alarm box is to the property and the location of the nearest hydrant and whether there is a water tank on the roof, or fire doors, or vertical standpipes with hose—all of which has a very important bearing on whether or not the insurance is regarded as acceptable.

It is the Bertillon method applied to the property. The more important or more prominent the property, the greater the detailed measurements. What isn't found on the map is to be located in much supplementary data in the way of so-called surveys which unfold the deepest of property secrets.

If the tell-tale maps do not nod their approval to the insuring of the property the daily report finds its way to an examiner. At the head of every fire insurance division there is an examiner. He is generally one who has been through the mill and is a clever combination of engineer, underwriter and research student. He will weigh all of the factors for and against the line and perhaps pass it and perhaps he won't. In more instances "he won't". It is quite possible he will send the "daily" back to the credit division.

(Continued on page 28)

not the richest the poorest; not the largest nor yet the least; but, take it all and all, for
for happy hearts, the best place outside of Heaven the good Lord ever made."

Photos copyrighted by Caulfield & Shook
Louisville

XUM

MONTHLY

MAY, 1927

27

When at the Convention don't miss the **Burroughs** Booth

Our exhibit at the thirty-second annual convention of the National Association of Credit Men, to be held at Louisville, Ky., June 6 to 10, comprises the most modern and complete display of figuring equipment ever shown.

At the Burroughs booth, you will see demonstrated machines and applications which you will admit are outstanding. Accounting plans will be described to you in detail which will appeal to you at once for their practical value in handling your own figure problems.

You will find, too, a courtesy and desire to render service, offered to you by Burroughs men who know their business thoroughly and who can be most helpful to you in yours.

One and all you are cordially invited to make the Burroughs booth your gathering place as our most welcome guests.

BURROUGHS ADDING MACHINE COMPANY
6435 SECOND BOULEVARD
DETROIT, MICHIGAN

If you do not attend the Convention but desire information on the latest and most up-to-date accounting machines and methods, call the local Burroughs office or mail the coupon. Your request will meet with courteous and prompt attention.

BURROUGHS ADDING MACHINE CO.,
6435 Second Blvd., Detroit, Mich.

Please let me have further information on the latest and most up-to-date accounting methods.

Name _____

Business _____

Address _____

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FOR EVERY FIGURE
PROBLEM

When writing to advertisers, please mention the Credit Monthly

XUM

Debtor Merchant Property

(Continued from page 26)

for a more detailed report as to any financial difficulties which might suggest to "decline" the line. He will consider the moral hazard. He will mentally balance the property next to that under consideration—if perchance it is a paper box factory, or a gasoline station, or a frame bakery, or a frame hotel, very likely he will write across the daily "decline" or "reduce."

If this tireless "daily" carrying of the order—"put \$20,000 fire insurance on my property"—still mirrors a question mark in the examiner's mind, he in turn "refers" it to his underwriting officer. He is almost the last court of appeal. "Building idle?" he snaps. "No," answers the examiner. Score one in favor of the debtor merchant. "How's his rating?" "O. K. \$40,000 to \$50,000." Score two—still favoring him. "Any inherent hazards of a special mention?" "No-o-o,"—and then sotto—"spice grinding next door." "Um-m-m." Foul ball. Counts as a strike. "Metal fire doors?" "No—open stairways." Strike two. "What's the occupancy?" "They are paper curlers." He's out! The paper curling industry has had hard sledding for several years along with a few more industries, as a result the evolution of the chain store system, the change of market, after war depression and so on. Mr. Insurance Officer knows this. He figures the property is more liable to burn up if it is a declining business than if it is a growing one. He knows that when times are bad fire losses go up. He knows, too, that a great percentage of fire losses are of strange origin. He's not accusing the owner of the business, but just playing safe. He's trying to make a profit in his business as much as the applicant for insurance is—yet he hasn't for a number of years.

And so this "daily" has its journey shortened. Many do. Sometimes the underwriter finds that too much liability has already been accepted in the "block". A conflagration might come, an earthquake, a terrific catastrophe. They prefer "dailies" from a wide-spread field rather than from one section. Or possibly the "daily" fails to make

the grade because the general experience on the type of construction or business has been bad. The town fire record counts also. And the record of the agent counts. No matter how good the property is if the agent has been "burning up his companies"—it doesn't stand a chance.

If the daily is O. K.'d and allowed uninterrupted on its jaunt, consider the property recorded in the archives as selectively as the waiting list in St. Peter's confidential pass book.

The property whether a bungalow or a tin factory is mapped, and classed not only for company purposes but also for National Board of Fire Underwriters records. It is stamped and initialed and the property description and what is to be insured underlined in blue pencil.

So bobs away the daily to the reinsurance department—one company won't retain "net" all of the \$20,000. Too much. A paper curler?—assuming the property passes—why, let's see—about \$5,000 net and the balance of \$15,000 will be "ceded" to a group of companies as reinsurance. The insurance company seldom holds the entire bag.

It's the life blood of a fire insurance company, this "daily". Many are called but few are chosen. One would imagine that with all this fine tooth combing plus the uncanny storage of facts and figures anent everything seemingly possessed by the fire insurance man, the growing supervision of rates in different states, the improvement in construction and fire protection, that there'd be money in this business. There is in the investment side but not in the underwriting. The figures of almost any fire insurance company will prove this. Despite all of the constructive attention the daily arouses as it steams by the judges of fire susceptibility, you and I continue through carelessness to burn our property and our neighbor's faster than the collected fire insurance premiums can meet. "Insure my house" you see, is not as simple as it would sound.

Florists Credit Losses Small

(Continued from page 9)

"From this you will see that, although a dealer might have 55 days in which to pay a bill, the time would ordinarily be shorter. A man might seem a good credit risk on the first of the month and then go under before the end of it and sometimes does—for we make mistakes; but I am thankful to say that at times we run along for months without a single loss in spite of seeming risks. And you must realize that sometimes, we are impelled to take greater risks than would be advisable in another business, because if goods are left over, they are a loss anyway.

"But do not get the idea that we are free with credit even under these circumstances. For our own sake and for the sake of the entire industry, it is necessary to keep up rigid standards of credit and payment, and we do not give flowers away simply because there may be a chance of their withering on our hands.

Hard Buyer: Good Risk

"In the case of a man who has not had long dealings with us, I watch his buying methods very closely. At holiday or Easter time, especially, a man who appears to be buying with too free a hand, not considering the cost, arouses my suspicion, and sometimes when one comes in and says he will take our entire stock of certain flowers, at any figure we may have offered, I may call for the cash. A hard buyer, one who is considering his possible sales very carefully with the caution of not investing too heavily, is a better risk.

"No, we do not attempt to set credit limits. It is not practicable. Everything depends upon a man's paying habits, and our knowledge or belief in his honesty. I know our customers—proprietors or buyers whichever they happen to be—and whatever help my memory may need, I can get from our ledger. That is my credit file. The street peddlers whose selling is seasonal, buy for cash, and so do any others who have no regularly established place of business."

It is interesting to learn that 60 per cent. of the retail florist trade in New York is controlled by Greeks, so they are not all in the restaurant

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business, after all, as the old joke would lead one to suppose. About 90 per cent. of these dealers are sold on a cash basis, according to Mr. Rigby, hence they have little to do with the credit situation.

When you are bewailing a rainy week-end, remember that it is a hard storm which does not rain somebody good, and rejoice in the good fortune of the neighborhood florist. It is the report of William N. Hackland, credit manager of the New York Cut Flower Company, that more flowers are sold on a rainy Saturday and Sunday than when the sun shines and people are out walking or motor-ing instead of trying to brighten the corner where they are.

It is the seasonal factors of the florist industry that are responsible for the greatest risks in credit granting, Mr. Hackland says, for when the market is flooded, it may be worth while to take a chance on even a street vendor who is known. "This same flower that smiles to-day, to-morrow will be dying." Yet, he, too, states that wholesale florists' losses are small; he puts them within one-fourth of one per cent.

"When a new customer applies to us for credit," Mr. Hackland says, "we require three references, a bank statement and a sworn financial statement, which gives us a degree of leverage on the applicant. Payment is due on the first of the month, and those who have not met their obligations by the 25th are immediately called on by telephone for an explanation.

"Long experience has shown us that it is the same few customers who are always slow. There are a dozen perhaps who must be kept after. Sometimes, we have to cut off their credit to give them a lesson, and then they usually straighten out their accounts. Trouble comes, in the majority of cases, from dealers who are maintaining outside interest. Those who attend strictly to their flower business seldom become delinquent. Therefore, in deciding on credit, it is important to know whether or not a merchant is trying to make his proceeds from his flower shop carry some speculative venture.

The Rich Pay Slowly

"What we call the Fifth Avenue trade produces some difficulties, because the rich customers of the shops

(Continued on page 32)



Who will be their next victim?

ALL over the country crooks are secretly planning robberies, hold-ups and other criminal activities. The success of most of their lawless adventures is common knowledge. Insurance is the one positive way of offsetting their depredations.

Ætna Burglary and Robbery Insurance, in its various forms, should be carried, *in adequate amounts*, by every business house that would avoid possible crippling losses.

Mercantile Safe Burglary

An Ætna Safe Burglary policy will not only insure the contents of your safe as specified, but will also pay for any damage that the yeggs may do to the safe itself or the premises, up to the limits of the policy.



Office and Store Robbery

Hold-ups are matters of common occurrence. You never know when *you* will be looking into the muzzle of a bandit's "gun." An Ætna Office and Store Robbery policy will protect you against loss in your office or store while the premises are open for business.



Messenger and Payroll Robbery

An Ætna Messenger policy will protect your funds from loss by robbery outside your premises. An Ætna Payroll policy will protect your payroll against loss by hold-up either in or outside of your premises.



Good Business Judgment Commands Adequate
Protection Against These Hazards

ÆTNA-IZE



ÆTNA CASUALTY & SURETY CO.
Hartford, Conn

CM

Please give me further information about Ætna Mercantile Safe Burglary ☐ Office and Store Robbery ☐ Messenger and Payroll Robbery ☐.

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WITH Fidelity Bonds on your employees you can obtain a better credit rating, in addition to protection against possible dishonesty of employees. Inquiry as to cost and coverage involves no obligation.

United States Fidelity and Guaranty Company

BALTIMORE, MARYLAND

Over 7,500 Branches and Agencies
in United States and Canada

Team-Work Effected By Foreign Interchange Credit Bureau

By W. S. Swingle

Mgr., Foreign Credit Dept., N.A.C.M.

CONTINUED American prosperity is dependent not alone on the maintenance of our present scale of production, but also on proper distribution. This applies particularly to foreign business. Distribution, both domestic and foreign, means sales not for cash or "over the counter," but by the proper use of credit which will enable buyers to assimilate the greatest volume of merchandise and at the same time bring sure returns to the manufacturer.

Many American business executives, primarily interested in domestic distribution, overlook the possibilities of foreign distribution, and in prosperous times do not feel the pressure to provide the outlet of the "balancing percentage" between a profitable and an unprofitable scale of operation. Export represents this percentage in many lines.

Too many American concerns are staying out of the foreign field, not through inability to find buyers for their goods, but because they are afraid of selling poor risks and because they feel that foreign credits are such an intricate subject that they cannot be satisfactorily handled.

Many of the principles, apparently more or less overlooked in business within the United States, must be considered and applied more carefully in checking the credits of overseas buyers. In domestic business, through reading the newspapers and through daily contact with our own people in all parts of the country, we are automatically in possession of facts regarding the social and economic conditions, the racial characteristics, the political situation and local conditions throughout the country. But when we have to consider our foreign buyer from these angles, it means intensive investigation and careful study.

Where the Information Is

However, there are accurate and reliable sources of foreign business information available such as the U. S. Bureau of Foreign and Domestic

Commerce at Washington, various associations, banks, and Federal representatives of American business abroad.

Foreign Trade Necessary

Credit is a necessity in foreign trade. Although this does not mean that foreign business requires in every case three to six months terms, on the other hand, *we cannot expect to sell abroad on cash terms any more than we do domestically.* Why should we shy off from giving 30, 60 or 90 day terms to our buyers in foreign countries when the same thing is done at home without question? Terms in foreign trade in many lines are lengthening. Foreign competition with low prices and generous terms must be met at least on a fair basis. Investigation has proved that foreign credit losses can be kept at less than one-half of one per cent. by proper handling.

Most important in maintaining satisfactory foreign trade relations, particularly with reference to its credit and financial aspects, is the matter of co-operation. Although we are becoming accustomed to closer co-operation in all branches of business, for a long time the value of co-operation in foreign credit information was not made effective. Many concerns felt that this was private and hard-fought-for information, which they refused to exchange. Unfortunately, there are still firms who hold this position, and although they continue to do business, they have not received the full benefits of co-operation with other American concerns by exchanging their experiences.

The next step is to know the best means of working out and applying a method of interchanging actual ledger experience. In building up a picture of the foreign risk there are many sources of credit information, such as personal contact by the salesman or agent or one of the officials of a concern, information from American and local banking institutions, the usual commercial agencies, the U. S. Government information

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through the Bureau of Foreign and Domestic Commerce in Washington, the reports from U. S. Consuls, Commercial Attachés and Trade Commissioners abroad. But when it comes down to actually passing an order, the most important consideration is, How has this man been paying his bills with competitors and with other lines of business.

Seven years ago several executives interested in checking foreign credits for important American firms realized as entirely inadequate the method of getting proper experiences of other American houses selling to the same risks, and that some means should be built up for furnishing this kind of information quickly and at a nominal cost. The result of this realization was the establishment of the Foreign Credit Interchange Bureau of the National Association of Credit Men. It was set up within the National Association of Credit Men at the request of these executives because they knew that the Association was entirely impartial, and that the Bureau would function at the least expense to those interested. This plan has worked out most successfully since it was set up seven years ago. It has built up a file of over 300,000 foreign names on which it has references of American houses who are selling or who have been selling each particular risk.

It was determined that the best and most economical way of compiling this information and furnishing it to the members of the Bureau was to file a list of all of each member's foreign accounts, and to work through a confidential clearance. It might be supposed that this would make possible the pirating of sales leads. But the lists are handled on the basis of a confidential code number and it is therefore impossible for anyone, even the management of the Bureau, to go through the 300,000 cards and to pick out the names of foreign buyers who are on the sales list of any one member.

The idea of team-work in credits and co-operation in the exchange of ledger information has reached beyond the United States:—in Cuba, for instance, a Credit Men's Association has been formed, and a like organization has been established in Buenos Aires. The desire for similar co-operative efforts is evident in Mexico, Brazil and New Zealand. The time is coming when world-wide co-operation of this kind will keep

out the undesirable customer and give the satisfactory buyer proper consideration.

The International Chamber of Commerce at Brussels is working on a plan for the compiling of the various sources of credit information throughout the world which will be available to the merchant who is distributing his goods beyond the borders of his country. This question of international co-operation in commercial credits was brought to the attention of the International Chamber of Commerce through the efforts of the National Association of Credit Men two years ago.

The goal of the men who are promoting the work of increased co-operation in foreign credits is not financial gain, because the Foreign Credit Interchange Bureau is operated on a non-profit making basis. Their aim is the 100 per cent. teamwork of those who are directing American foreign credit activities.

Credit Strictly Limited

The *Wall Street Journal* reports the following conversation:

TED: I saw my doctor about my loss of memory.

JERRY: What did he do?

TED: Made me pay in advance.

THE CHEMICAL NATIONAL BANK OF NEW YORK

Founded 1824

Broadway at Chambers, Facing City Hall
Fifth Avenue Office at 29th Street
Madison Avenue Office at 46th Street

CREDIT MEN:

The annual convention of the National Association of Credit Men is a fixture in the country's business program.

Bringing together representative credit men, it affords a medium for the exchange of first-hand information on business conditions in all phases.

Committee reports containing comprehensive reviews of important developments in matters pertaining to safety in business are discussed thoroughly and impartially.

Through trade conferences, discussion of business methods under which leading industries are conducted affords the opportunity to keep abreast of the times—a vitally important requisite in these days of constantly changing practices.

The outstanding aim is to maintain the standard of business ethics and the continuance of prosperity.

The Chemical National Bank of New York will as usual be represented at this important gathering.

The Chemical National Bank of New York

When writing to advertisers, please mention the *Credit Monthly*



The fire is **OUT** . . .
(And the insurance company has paid the full amount of fire insurance.)
And, the General Manager is **OUT** . . . because he overlooked the vital necessity for Use and Occupancy Insurance to tide over the idle period of repairs . . .

The stockholders are **OUT** a few years' dividends . . .

The Creditors are **OUT** of patience and **OUT** of luck because a seemingly good risk turned to a dead one over night . . .

The **ÆTNA FIRE** Agent is **OUT** to protect business from direct losses . . . or subsequent losses through business interruption . . .

Get him to show you how to keep needless credit tangles **OUT** of your business through a complete insurance program.



Ralph B. Ine
President

Florists Credit Losses Small

(Continued from page 29)

in the Fifth Avenue district often pay their bills only once or twice a year. The dealer must wait, and he expects us to wait also.

"We do not encourage credit transactions with those dealers who conduct principally a cash business. If we find out a customer has little book business, we let him know that we expect cash also, for there is no reason why he should use the wholesaler's money to carry on his business.

"The National Association of Credit Men deserves much credit for its work in keeping up credit standards and disseminating useful credit information. There are able men at the head of it, and I think they have helped to make credit conditions far better than they used to be. But, even with this, every credit manager has to be eternally vigilant to keep his affairs in order."

The growing popularity of Mother's Day has added one more to the florist's big days—Easter, Christmas, Decoration Day and Thanksgiving—but probably the greatest stimulation the industry has known has grown out of the establishment of a flowers-by-telegraph system, begun twelve years ago.

Although the service concerns retailers only, it will be of interest to readers of the CREDIT MONTHLY to know how the system operates. There are now in the Florists' Telegraph Delivery Association, Inc., with headquarters in Detroit, 4000 members in the United States and Canada whose ethical and financial standing have been favorably passed on by a membership committee and by the office of the organization. Any member may telegraph direct to another member an order for flowers to be delivered in his town. The bill, with a 20 per cent. discount is sent to the headquarters office, which serves as a clearing house for all interchange accounts.

What happens after that may be explained by Alfred T. Bunyard, of New York, a director of the Association. "On the first of the month, bills are sent out to all members of the Association, showing the amounts of their debits and credits and the balance in favor of, or due from

the member. All accounts are payable before the 10th of the month, and members who do not pay before the 20th are at once dropped from the roll of the Association, and all other members immediately notified. Those who have a balance in their favor on the Association's books receive a check between the 10th and 25th of the month.

"No florist feels any hesitation about telegraphing an order to any other member, whether he knows anything of him or not, because all accounts are guaranteed, each member being required at the time of his joining to put up with the Association a deposit determined by the size of the town in which he conducts his business.

"Affiliations with florists in Europe, Asia and South America make it possible for flowers to be telegraphed to any part of the civilized world. That the public appreciates this service is proved by the fact that last year the total sum spent in florists' interchange amounted to \$5,000,000."

What Has the N. A. C. M. Done?

(Continued from page 11)

more than a promise, either oral or written, expressed or implied. When trade moved faster, under the stimulus of better and more progressive conditions, defaults gained in frequency and the old machinery was not equal to the demands of the new conditions. Who should be more qualified than the people who approved the exchange and accepted a credit, to look after the liquidation of insolvent estates and the rehabilitation of debtors who deserved saving. A new arm of service was the response to this demand; and, although the name "Adjustment Bureau" hardly describes what it aims to accomplish, yet it is a modern idea with great achievements to its credit and with great possibilities still to be fulfilled.

This arm of service is passing through a creative period as the recognition of its utility grows, and the skill is supplied that is required for so delicate an operation as realizing from an estate in trouble

the very highest returns, with justice to every one in interest.

The Credit Crook

Never, since the beginning of our commercial history, was the criminal debtor absent. He often played his game with insidious skill. To reach this business parasite was early recognized as one of the Association's most important objectives; but not until 1925 was the task undertaken with a full degree of strength and purpose, to drive back the rising tide of commercial crime. Not until 1925, with criminal tendencies appearing in every branch of business, did the Association recognize the pressing need of going after the credit crook with all the power of adequate funds and of fixed determination. The project was too big and far reaching for the Association to undertake within its natural income. From modest beginnings, the idea grew until the National Association's official family came to believe in their hearts that commercial crime could not be checked and offenders properly punished unless there was a fund with which to sustain the effort, of \$1,750,000.

No program of similar proportions, for the protection of business, and to defend receivables, had ever been conceived in the Nation's business history. There were no precedents for the effort. But by attacking it with courage and persistence the Association has nearly reached the quota fixed for the Fund. Across the entire country has been thrown a cordon of protection ready to operate whenever the credit crook shows his head.

This Department of Credit Protection is in reality the capstone of the Association's monument. The realization that an average of more than ten criminal debtors have been convicted each month since the Department began to operate, and that stolen goods have been recovered in a sum more than the cost of operating the Department since its inception, gives only a faint conception of the Department's sanitary effects, and its deterring influence on the criminally inclined.

Has the Association accomplished anything to boast of? It

That's "Good Ink"

It's
PERMANENT



Be
Sure
You Get It!

SANFORD'S

Premium Writing Fluid

Nationalize Your Credits

Credit Insurance

AGGREGATE annual sales by the average American merchant or wholesaler amount to from five to ten times the amount of goods held in stock.

Absolute assurance of payment for goods sold should be made to guard against possible failures, on exactly the same theory that the remaining stock is insured against fire and theft.

In the one case the credit department, commercial agencies and others have provided all of the normal preventative measures, but despite this fact, thousands of failures occur each year. In the other case the fire department, sprinkler systems and other precautionary measures have been called into play but disastrous fires do occur.

A National Policy of Credit Insurance is guaranteed by the World's Largest Surety Company to prevent, else pay, all abnormal losses on delinquent credit accounts.

Write for Details of Our Credit Insurance Policies

National Surety Company

Wm. B. Joyce, Chairman

E. A. St. John, President

115 Broadway, New York

Agencies in All Principal Cities

When writing to advertisers, please mention the Credit Monthly



HOW many times have you wondered what this mark on your safe means?

It means that your safe was built by a company which builds steel safes and safe interiors exclusively.

This means that every Meilink Steel Safe is built by men of long experience in safe building.

When you realize the high and exacting standards to which every Meilink Steel Safe is built, you realize the reason why there are— 50,000 *Meilink Built Steel Safes in use and only one known fire loss.*

This record, made in the field of experience, assures you that you can expect **BETTER PROTECTION** from your Meilink Steel Safe.

The Meilink Steel Safe Co.
Toledo, Ohio

has, beyond the shadow of a doubt; but boasting has never been one of its occupations. Always restrained in presenting its usefulness to the Nation's business interests, always a little diffident in the unfurling of its colors to the breeze, always willing to work like a devoted servant without the expectation of large recompense, the National Association of Credit Men has made an impression upon the commerce of the Nation that can never be obliterated.

I worshipped at its shrine in 1896, after striving for six years against disorderly credit practices. I watched the child grow, I have seen it pass out of knickers. Though still young, it has reached the stature of a fine maturity, and stands distinctively among the Nation's many organizations as the only body devoting its skill, its prudence, its courage and its resourcefulness to the preservation of our credit technique, against misunderstandings and the devastation of misuses.

Support of Federal Reserve

The Association recognized years ago that the credit technique which it had begun with much perseverance and persistence to build up was subject to the inroads of an inefficient and inflexible banking system. It favored the idea of supplementing the National Bank Act or superseding it by a system that would consolidate reserves, give flexibility to currency, and dignify good commercial paper as a basis of currency issue. The Association supported first the Aldrich-Vreeland Bill. With the incoming of Mr. Wilson's administration, when it seemed no longer possible to hope for the passage of the Aldrich-Vreeland Bill, the Association gave its earnest co-operation to Congressman Carter Glass, Chairman of the House Banking and Currency Committee, for the passage of the Federal Reserve Bill. It was apparently the best that could be obtained for the relief of our Banking and Currency Systems and it has turned out to be even more serviceable than we had hoped.

One of the Association's outstanding accomplishments, therefore, was the aid it gave to the passage of the Federal Reserve Bill

and the tolerant consideration it gave to the measure while criticisms from other directions were biting deep.

Thousands of enterprises in our land are sharing the benefits showered upon our business by the Association's constructive methods, without contributing a mite to its support. In figures the Association has everything to feel proud of; but he who shares in the benefits should share also in the cost of the benefits, and those who have given to the organization their moral and financial support have reaped big dividends in the compactness of our credit structure, and from the fact that they are able to do a larger business, with much less risk of loss, than was possible in the earlier years.

This picture of the Association's accomplishments reflects only in part the writer's conception of its work, and reverence must be felt for the red-blooded men who have seen the vision and fought for the maintenance of the Association's position in our business economy.

What more facts are required to prove the great service that the National Association of Credit Men has performed for every one who participates in the flow of credit made more fluid and given greater protection by the ideals and the practices of the National Association of Credit Men?

Credit to Suit the Customer

(Continued from page 17)

many things that help me to a decision. The Blairsville National Bank gives a favorable report on Green: a few other houses which have had business relations with him tell us that he has a good paying record. This is enough to allow me to send his order through to the order department where the invoice is prepared in a set of eight copies made out simultaneously on a billing machine. Each of these eight invoices has a special use, as follows:—

1. A white form, to be sent to the customer.
2. A blue form for the use of the shipping and bookkeeping departments.
3. A yellow form, which the order department holds until the

blue form comes back, indicating that shipment is made. The yellow form is then placed in the numerical file of the Book-keeping Dept.

4. An orange form which is a special record needed by one of the superintendents.
5. A white special form to be used in the case of parcels post or self-delivery.
6. Original bill of lading for railroad company.
7. Duplicate bill of lading for factory records.
8. Triplicate bill of lading to be attached to the customer's invoice.

In this way we have shipping and invoice records for every department concerned in the transaction, and all are identical.

Personal Collection of Accounts

Our terms are in all cases 2 per cent. 10 days, net 30. Will Timothy Green be a discounter, will he take the full 30 days to pay, or will he be slow-pay? Let us suppose, in this hypothetical case, that he takes advantage of the discount and pays within 10 days. He is taking one step to establish a good credit reputation with us.

His account is then entered upon our loose-leaf ledger form by means of a bookkeeping machine.

Our salesman, of course, has in this case no hesitation in securing a second order. Perhaps for several months, Timothy Green's account will run along evenly. Then a time will come when an invoice of perhaps fifty dollars will remain unpaid for more than 30 days. If there is at that time a salesman in Green's territory, we instruct him to try to collect the unpaid bill before selling another order. In many cases this is very easy for the salesman to do, whereas a letter from the credit department might cause offense to the particular customer in question. However, if the salesman is unable to effect payment, naturally no more orders will be shipped except on a C. O. D. basis. Meanwhile I write as tactful a letter as I can to Green requesting payment. If we discover—and we try to discover such conditions—that Green has had a period of hard luck or illness or some other special reason for not paying, we try to adjust the matter by drawing up some easier scheme of payment. Either the C. O. D. method mentioned above is used, or Green agrees

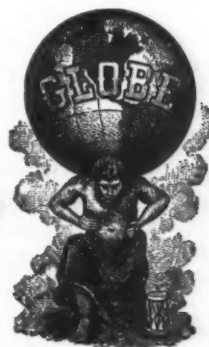
to send a small amount on the unpaid balance with each new order to show good will, or a payment of so much per month is arranged.

We have always found these personal efforts at co-operation with the customer successful and productive of valuable good will.

I think that the foregoing outline of our credit dealings with "Timothy Green" is enough to show our general credit routine. Our collection methods are adapted to the individual customer. In some cases, when our usual monthly statement

is disregarded, and the invoice remains unpaid, we find, upon investigation, that the customer is not in the habit of keeping books. Invoices received are placed on a sticker file. The invoice is apt to be lost or mislaid under such treatment, and the storekeeper will often insist that he has not received it. This necessitates personal adjustment and explanation by the salesman, to straighten the matter out.

Many times it is enough with a certain type of customer to write
(Continued on page 40)



Moral Hazard

The operations of the wolf in sheep's clothing have been the cause of losses the aggregate amounts of which are almost inconceivable. Constant vigilance is necessary to segregate poor moral risks from those of certain integrity.

An aggressive attitude toward suspicious operators by both creditor and the insurance company will restrain and eventually destroy a lucrative traffic.

Assets as of January 1st, 1927..\$71,740,996.88
Capital 3,500,000.00
Surplus 25,610,575.98
All other liabilities..... 42,630,420.90

Globe & Rutgers Fire Insurance Company

111 William Street

New York

OFFICERS

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Lyman Candee, Vice-President W. H. Paulison, Vice-Pres.
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M. J. Volkmann, Local Sec.

When writing to advertisers, please mention the Credit Monthly



Paralyzed

Irreparable havoc was wrought by an explosion in the curing room of the Leathertone Company's new processing plant due to an accumulation of dangerous gas during the week-end shutdown and while there was fortunately no loss of life, the company is subject to a serious financial set back.

EXPLOSION INSURANCE designed for just such disasters should be carried by all concerns working under conditions or in a locality exposed to such hazards. A careful scrutiny of your firm's policies is in order, and inquiry as to the possibility of such loss to firms seeking credit from you would be wise.

The National Liberty Agent in your town would be glad to advise you concerning this coverage.

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Louisville Wins!

National Association Baseball League

THE silver trophy, shown herewith, for the greatest net increase in membership in the series starting January 17 and ending March 19, 1927, was won by the Louisville Association of Credit Men with a clean score of nine victories in the nine weeks of play.

St. Louis—which was the first association to wire congratulations to Louisville—was second, but turned in a total during the nine weeks of more new memberships than any other two associations combined.



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	GAMES PLAYED	WON	LOST	TIED	PER CENT.
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PITTSBURGH	9	8	1	0	888
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DETROIT	9	5	4	0	555
BALTIMORE	9	4	5	0	444
BOSTON	9	2	3	4	222
BUFFALO	9	1	7	1	111
CLEVELAND	9	1	6	2	111
PHILADELPHIA	9	1	7	1	111
CINCINNATI	9	0	7	2	000

F. G. Hathaway, Miami's New Secretary-Manager

F. S. JEFFERIES, Eastern Division manager of the National Association of Credit Men, announces that Frank G. Hathaway, formerly manager of the Service Department of the N. A. C. M., and at one time secretary of the Lansing Association of Credit Men, has been appointed Secretary-Manager of the Miami Credit Men's Association. He will assume charge on Monday, April 18, 1927.

At a recent meeting of the stockholders of the Miami Association a new board of officers and directors were elected composed of President, F. G. Railey, Railey-Milan Hardware Co., Vice-President, L. W. Robinson, Grover-Stewart Drug Co.; Treasurer, A. N. Brady, Frank T. Budge Co.; and Secretary-Manager, F. G. Hathaway. Directors: G. C. Zaring, C. W. Zaring Co.; N. W. Graves, Baker Holmes Co.; G. E. Whitten, Burdines, Inc.; J. M.

Carlisle, Eli Witt Cigar & Tob. Co.; T. V. Harper, Miami Herald Pub. Co.; Geo. Stembler, Stembler Ins. Co.; T. J. Wiggins, Atlas Rock Co.; H. G. Weidenfelder, Foster & Reynolds; Guy Storms, J. A. McDonald Lbr. Co.; D. A. Ramsay, A. H. Ramsey & Sons, Inc.; and W. A. Schell, M. O. Huck Paint Co.

With Mr. Hathaway in the position of Secretary-Manager the Association is now in a position to handle adjustments and will immediately set up a department to carry on this important activity.

Mr. Hathaway is well known to the credit fraternity and, with the support of the unusually fine Board, which the Association now boasts of, great work is expected of him.

The Miami bureau has been officially approved by the Adjustment Bureau Department of the N. A. C. M.; and members requiring adjustment work in that part of Florida are requested to send their claims to Mr. Hathaway.

When writing to advertisers, please mention the Credit Monthly

My Old Kentucky Home

(Continued from page 16)

folded its tents and silently stolen homeward.

It has been twenty-five years since the Credit Men last met in Convention in Louisville. This quarter of a century covers the greatest and most momentous era in our Nation's history as well as in the history of the world. We have seen in that time our association growing and steadily advancing all along the line, not alone in members but in credit technique, in unanimity of thought, spirit and action, in co-operation, in service to its members, in all those things that tend to uplift business, to place it and to hold it upon a high and lofty plane. So let us all go back to Kentucky this year for another start of a new twenty-five year period, and see if we cannot make it even better than the last.

Yes, boys. The sun still shines bright in my old Kentucky home, it will be summer when we get there, and darkies will be rolling on the little cabin floor, some of the corn tops will be ripe, and some meadows will be in bloom, but I give you my word of honor you are going to see no weeping ladies around in that neck of the woods, either when we arrive or while we are there. Of course you may see a few tears shed when we depart, which indeed will be very flattering to our own self esteem, but be sure that those tears are shed in sorrow and not in gladness that we are gone.

So pack up your belongings in your old kit bag and prepare to spend the happiest and most worth while week of your life in Louisville, Kentucky's great metropolis, whose kindly citizens have made all necessary preparations to welcome you.

Here Are the Answers

(Continued from page 23)

Convention called a Silver Anniversary Convention? Because 25 years before, also at Louisville, Executive Manager Tregoe was elected president of the Association.

30. Can an involuntary petition in bankruptcy be filed against a farmer? No. Any natural person, except a wage earner or a person engaged chiefly in farming or the tillage of the soil . . . may be adjudged an involuntary bankrupt. See Sec. 4, Amended Bankruptcy Law, 1926.

31. In bankruptcy, how long a time has a creditor in which to file a proof of any claim? Six months after adjudication.

32. In what manual are to be found the full text of the Bankruptcy Law and a list of Referees in Bankruptcy? The Credit Man's Diary and Manual of Commercial Laws 1927.

33. When a company joins a local Association of Credit Men, does it automatically become a member of the National Association of Credit Men? Yes.

34. What are the names of (a) the Director of Education and Research, (b) the Eastern Division Manager, (c) the Central Division Manager, (d) the Western Division Manager of the N. A. C. M.? (a) Dr. Frank A. Fall, (b) F. S. Jefferies, (c) E. B. Moran, (d) B. B. Tregoe.

35. Are promissory notes made payable after more than 90 days re-discountable at Federal Reserve Banks? No.

36. Can a debtor receive his discharge from his debts under an as-

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The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

A Fire Prevention Primer

SPARKS. Valine Hobbs. Pioneer Publishing Co., Fort Worth, Texas. 1926. 171 pages. 75 cents postpaid.

Co-operation of the National Association of Credit Men with the fire prevention forces of the country has been made effective through active membership in such organizations as the National Fire Prevention Association and the National Fire Waste Council. In addition to this, every credit manager should interest himself in fire prevention work in his own community from the double motive of good citizenship and the material interest his concern has in cutting down the annual fire waste, which runs to more than half a billion in dollars and thousands of priceless human lives.

One of the most fruitful of all fields of fire prevention endeavor is that of instruction in the public schools. Such instruction is a regular part of the curriculum in thousands of schools in the United States and Canada. In many places it is made compulsory by law.

Dr. John J. Tigert, U. S. Commissioner of Education, is on record to the effect that "sound instruction of boys and girls in the prevention of fire will save thousands of lives and millions of dollars in property each year."

It is therefore fortunate that communities which realize the need of this instruction are now able to get, for use in their schools, the fire prevention primer called "Sparks" written by Miss Valine Hobbs, a teacher in the public schools of Bonham, Texas.

Heretofore there has been no book suitable for teaching fire prevention to children at the age when their minds are most plastic and their mental impressions most lasting. This book, with bright, original stories, puzzles, rhymes, and playlets, leads the child quickly and naturally to an appreciation of the fire danger. It points out the causes of fire so graphically that the child will identify and always remember them. It emphasizes the importance of carefulness, teaches that most fires may be prevented, and tells what to do when fires actually occur.

It is significant that in Texas, with 12,278 schools, fire prevention instruction is compulsory in only 371 of them. The Texas fire loss is \$5.21 per capita. In Kansas, Ohio and Pennsylvania, where the teaching of fire prevention is required by law, the fire losses in 1924 were, respectively, \$3.92, \$3.44 and \$3.57 per capita. If the Texas per capita loss could be reduced to that of Ohio, it would mean a saving of nearly \$9,000,000 a year.

These are, of course, only the material savings. No one could possibly put a

value on the human lives that might be saved and the sorrow that would be prevented by a general extension of fire prevention instruction into our public schools.

All the Power of Words

THE POCKET OXFORD DICTIONARY. American Edition, revised by George Van Santvoord, Oxford University Press, American Branch, N. Y. 1927. 1029 pp. \$2.00.

Frankly, the reviewer has not read every word of this book,—at least, not consecutively. But he has read enough to come to the conclusion that although the plot is somewhat sketchy and there are no illustrations, it is nevertheless a good book and a valuable one.

Seriously, here is an admirable dictionary for office use. It is beautifully printed, durably bound, and although more than a thousand pages in length, is not too large to slip into a coat pocket without involving the owner in a trip to the tailor shop.

This is a variant of the Pocket Oxford Dictionary, compiled by F. G. and H. W. Fowler and based on the Concise Oxford Dictionary. The task of the American editor, who is a professor in the University of Buffalo, has been to make such changes in detail that the book may conform to American standard, in spelling, pronunciation, and idiom, and where necessary to add material of special interest and importance to Americans.

The so-called "American spellings", unrecognized in the English edition, are here introduced and given precedence. Thus the reader will find *center*, *defense*, *honor*, *plow* and *traveler*, as well as *centre*, *defence*, *honour*, *plough*, and *traveller*. Similarly, *connexion*, *gaol*, and *storey* have yielded precedence to *connection*, *jail* and *story*.

Definitions have been altered only when they seemed inadequate in content, or calculated to mislead or bewilder the American reader. In such cases they have been freely amplified or rephrased.

Some peculiarly American terms such as *squash* and *woodchuck* were listed in the Concise Oxford Dictionary and are here restored. Others have been gathered from the great Oxford Dictionary itself, and are classified as Americanisms and labeled "U. S." on its authority. Many others, such as *jitney* and *moron* have come into general use very recently from such sources as commercial and scientific activity and the experience of the World War.

Pronunciation has been revised in accordance with American standards, British usage being noted only when the variation is of particular interest. Examples of this are found in the words *clerk* and *lieutenant*.

Some of the credit and collection correspondence received in a modern business

office would indicate that a movement to place a good dictionary on the desk of every American secretary and stenographer would be decidedly a move in the right direction. For this purpose the Pocket Oxford would serve most acceptably.

Looking Ahead in Business

PRACTICAL BUSINESS FORECASTING. David F. Jordan. Prentice-Hall, Inc., N. Y. 1927. 265 pp. \$5.00.

That the progress of business forecasting has been slowed up by sundry bumps, ruts and detours is perhaps as much the fault of its friends as of its enemies. The friends have been disposed to claim too much, to be too didactic and too cocksure of their conclusions. It was inevitable that the sceptics, seeing that 100 per cent had obviously not been achieved, refused to concede progress even to the extent of 50 per cent.

With this new book, Professor Jordan of New York University does much to clear the air. Forecasting in business, he says, has come into a certain disrepute due partly to an erroneous conception of its true function and partly to unwarranted claims as to its utility. It is not a way by which the future can be accurately measured, since it can never represent more than a rough approximation of probable events, and it therefore does not provide an unqualified basis for the determination of future policy. But it does indicate the direction that such a policy should take, always with the assumption that sufficient flexibility is present to meet the unexpected.

Frankly admitting the fact that a book on business forecasting at this time can be little more than a milestone on a road that has but recently been charted, Professor Jordan aims to make his work a concise survey of accepted principles as distinguished from debatable theories. He shows actual practices as contrasted with hypothetical problems, and gives a composite answer to the question of how American business is trying to plan intelligently for the future.

Material has been gathered from many business enterprises, large and small. Among the large organizations drawn upon for information or statistical data were the American Radiator Company, the American Telephone and Telegraph Company, the Dennison Manufacturing Company, General Motors Corporation, General Electric Company, the National City Bank of New York and the Westinghouse Electric and Manufacturing Company.

The initial chapters deal with the field and the function of forecasting. Then

MAY, 1927

follow five chapters on long-term, medium-term and short-term forecasts and three on the practical utilization of such forecasts. Special chapters are devoted to agricultural, industrial and financial forecasting. Part II of the book (two chapters) deals with the forces of the business cycle, and Part III (one chapter) with business crises in the United States. The Appendix bears directly on the work of the professional economic services—Harvard, Babson, Brookmire and Franklin.

The original charts in the book were prepared by Bernard Broudy, M. B. A., formerly assistant in the Department of Education and Research of the National Association of Credit Men.

Up Our Street

THE CLEARING AND COLLECTION OF CHECKS. Walter E. Spahr. Bankers Publishing Co., N. Y. 1926. 597 pp. \$7.50.

The author of this timely treatise, who is assistant professor of economics at New York University, has done an important piece of pioneer work. Everybody knows that the check is the most widely used of all credit instruments, and yet, up to this time, no one has been enterprising enough to give the subject really adequate treatment.

From the point of view of the National Association of Credit Men, the publication of such a text is sufficient cause for general rejoicing. The Association has for years stood for a full and free circulation of the check as a vital factor in a sound credit technique. Working through its Banking and Currency Committee, the Association has steadfastly supported the par payment plan of the Federal Reserve System, and is now taking an active part in the campaign for par clearance which is being carried on in a number of strategic financial centers.

As Dr. Spahr suggests at the beginning of his treatise, although the par collection controversy is probably the most important point under debate in the banking and currency field at the present time, relatively few people are in a position to pass mature judgment on the merits of the questions involved. It is the purpose of "The Clearing and Collections of Checks" to show not only the manner of origin and actual functioning of our present clearing and collections system, but also to examine the merits of the various questions involved in the par collections controversy.

The book therefore deals with the practical operation as well as the historical and theoretical aspects of our clearing and collection system, and the material is arranged in such a way as to meet the needs of the layman as well as the banker, the instructor and the student. Particularly valuable is the concluding chapter, which gives a summarized view of the clearing and collection system as it operates today, designed primarily for those persons who have little time or inclination to inquire into the theoretical and controversial aspects of the question but who wish to get a picture of the system as it is functioning at present.

Following an Introduction by Dr. H. Parker Willis, professor of banking at Columbia University, the book is divided into thirteen chapters, illustrated by seventy statistical tables, charts, figures and forms.

Chapter I deals with the nature, origin, and use of checks; Chapters II and III with the use, clearing and collection of checks in the United States prior to 1863. The next two chapters concern the period 1863-1914. Chapter VI presents a history of the Federal Reserve clearing and collection system and Chapter VII is devoted to the par collection controversy. Then

follow chapters on the gold settlement fund, the computation of reserves, the clearing house, bank organization for clearing and collection, and bank clearings as a business barometer. The final chapter, already referred to, gives a resume of the present system.

No more appropriate conclusion to this review could be devised than to reflect the testimony of Dr. Willis, himself an eminent authority on American banking. Dr. Spahr's book should, as Dr. Willis asserts, be widely read for its own value. But it should receive a still wider attention, and should be still more extensively studied, as an introduction to the practical problem of providing and rendering permanent an effective system for the clearance and collection of checks throughout the United States, and hence of economizing our specie

and rendering effective our whole system of banking.

A Treatise on Wholesaling

WHOLESALE. Theodore N. Beckman. Ronald Press Co., N. Y. 1926. 606 pp. \$8.00.

In the field of credits and collections the name of Dr. Beckman, who is assistant professor of business organization in Ohio State University, is well known. Many a credit manager has on his desk or in his library either or both of two familiar texts—"Credits and Collections in Theory and Practice", and "Collection Correspondence and Agency Practice."

The appeal of this new volume from Dr. Beckman's pen will not be limited to credit managers, although many of them will doubtless find the book helpful in



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their work. The process of wholesaling involves a vast army of workers, from the executive level down to the lowest grades of clerical help, and there is no doubt whatever that this army has been in urgent need of a dependable and thoroughgoing manual of arms.

Dr. Beckman does not fall into the error of attempting to cover the intimate details of wholesaling in any particular line. He develops general principles, and makes suggestions which will enable the user of the book to apply these principles in the solution of his own problems.

The author begins with a discussion of the place of the wholesaler in the distribution system, giving some significant facts and figures concerning the "unnecessary middleman" attitude toward wholesalers which appears to be so popular just now. He describes the services the competent wholesaler renders to the retailer on the one hand and the manufacturer on the other, and considers recent tendencies in wholesaling from the viewpoint of lines of goods and operation radius.

New types of wholesaling are carefully studied—manufacturing wholesalers, semi-jobbers, co-operative wholesalers, merchandise brokers, mail-order wholesalers, and "drop shippers". The future of the wholesaler is thoroughly discussed. With present tendencies, will wholesaling be gradually eliminated, simply hold its own, or is it on the eve of a remarkable development? "No prophet," says Dr. Beckman, "bold as he may be, can predict the wholesalers' disappearance for many generations to come."

Getting down to the specific organization and operation problems of a wholesale business, Dr. Beckman takes up such topics as location; layout and departmentization; organization of sales, merchandise, operating and accounting departments; the private brand problem; the policy of exclusive representation; price, credit and adjustment policies; budgetary control; and the planning of merchandise requirements.

Other important subjects covered are buying methods and policies; purchasing procedure; receiving principles and practice; the pricing of incoming merchandise; stock control and turnover; perpetual inventory systems; advertising and dealer helps; selection, training and compensation of salesmen; sales planning, supervision and control; handling and billing of orders; traffic management; operating expenses; and credit management.

Chapter XXXI on "Credit Management" and Chapter XXXII on "The Collection of Overdue Accounts" are going to be well thumbbed by enterprising credit managers and executives. A number of credit and collection forms are reproduced, including the credit interchange report and the property statement form sponsored by the National Association of Credit Men.

That this book will be gratefully received is virtually a foregone conclusion. The problem of the wholesaler is an outstanding one in the business of today, and Dr. Beckman has attacked it with vigor, skill and admirably sound judgment and discrimination.

Credit to Suit the Customer

(Continued from page 35)

"please remit" on the monthly statement. With others, the draft is necessary; and although we use the draft to a great extent in collections,

we try to ascertain our customer's attitude toward this method. In all cases we notify the customer before drawing on him. Some of our customers, however, would be shocked and offended if they were drawn upon. They are unaccustomed to the use of the draft, therefore we never risk losing their good will by attempting to collect through this method. To many other customers the draft is a familiar and convenient method, and we may use it freely with them. By adapting our use of the draft to the individual customer, we avoid the loss of good will and the trouble and expense of unpaid drafts.

Here in the Eastern part of the country we have never been able to popularize the trade acceptance, although the Pacific Coast branch of the company employ it quite extensively.

We frequently write collection letters but have found that form letters are not successful. Since the customer knows there will be a series of them, and that they are form letters, he is apt to disregard them. When an account cannot be collected in any way, we place it in the hands of a collection agency. But under no circumstances do we ever threaten to do this without carrying out our intention.

We do not charge interest on overdue accounts, but some customers have offered to pay interest, and at times have actually included the correct amount of interest in paying an overdue bill. We simply credit the amount of the interest to the customer's account, in such a case.

In brief, our credit policies depend on four important points:—

1. A definite amount of co-operation from our salesmen, but not too much.
2. An individual and personal attitude toward our customers.
3. A firm holding to essentials such as terms, prices, etc.
4. As much labor-saving equipment and routine as possible.

These methods have been found successful in our particular business, but as a credit manager I like to keep an open mind for new developments and improvement in the technique of credit work, the importance of which can hardly be overestimated in the plans of a successful business.

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customer's assignment for the benefit of all his creditors? Yes.

37. Does the confirmation of a composition discharge the bankrupt from his debts? Yes.

38. How is a property statement form used? A property statement form, created and published by the N. A. C. M., is sent to customers or prospective customers to obtain from them a correct signed statement of their immediate financial condition as a basis for extending credit.

39. How is a property statement form used? A property statement form, created and published by the N. A. C. M., is sent to customers or prospective customers to obtain from them a correct signed statement of their immediate financial condition as a basis for extending credit. See Credit Man's Diary and Manual of Commercial Laws, pages 536, 537.

40. Who may become a voluntary bankrupt? Any person except a municipal, railroad, insurance, or banking corporation. See Sec. 4a, Bankruptcy Law.

41. Who may be adjudged an involuntary bankrupt? See answer to question 30, also Sec. 4b, Amended Bankruptcy Law, 1926.

42. What are the five acts of bankruptcy? See Sec. 3, "Acts of Bankruptcy", Amended Bankruptcy Law, 1926.

43. Within what time may a bankrupt file an application for a discharge? Within twelve months after being adjudged a bankrupt; if it can be shown that the bankrupt was unavoidably prevented from filing application within twelve months, it may be filed within, but not after the expiration of the next six months. See Sec. 14a, Amended Bankruptcy Law, 1926.

44. What acts, if committed by the bankrupt, will prevent the granting of such application for a discharge? See Sec. 14b, Bankruptcy.

45. How are referees in bankruptcy appointed? By Courts of Bankruptcy. See Sec. 34a, Amended Bankruptcy Law, 1926.

46. How long do referees hold office? A term of two years. See Sec. 34a, Amended Bankruptcy Law, 1926.

47. When is a creditor deemed to have received a preference voidable if bankrupt? When he has procured a judgment against the bankruptcy or has received a transfer of any of the bankrupt property within four months before the filing of the de-

cision or after the filing of the decision and within four months before adjudication, and the effect of such judgment or transfer is to give such creditor a greater percentage of his debt than other creditors of the same class. See Sec. 60a, Amended Bankruptcy Law, 1926.

48. What debts will the court order the trustee in bankruptcy to pay? In general debts which may be proved against the bankrupt estate. See Sec. 63, Amended Bankruptcy Law, 1926.

49. May a State pass a bankruptcy act? The power to enact a bankruptcy law is vested in Congress. So

long as Congress has enacted such a law, any State may legally do so.

50. What subjects are covered by the correspondence courses of the National Institute of Credit of the N. A. C. M.? Credits and Collections and Basic Economics.

On Ladies' Committee

The name of Mrs. P. B. Bethel as Vice-Chairman of the Ladies' Executive Committee should have been included in the list of committees of the 32nd Annual Convention of the N. A. C. M. as published in the February CREDIT MONTHLY.

[Ad No. 5 in a series on Business Mortality]

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The Four-Flush of Youth

(Continued from page 21)

train. It was Abe who had engineered the whole crooked business, which his three lieutenants had carried out in a score of towns. His money financed the stores which his understudies established, his clever brain planned the schemes by which they secured their large orders of merchandise on credit; and it was Abe's fleet of automobiles that whisked the merchandise to the Billboard Store, in Cosmopolis, his permanent outlet for the sale of his loot.

He had worked his game successfully for years, and had made a tremendous sum of money which he had spent lavishly, feeling confident that he could continue indefinitely to carry on his bankruptcy operations in safety.

And now he was beaten—a convict, and broke. Small wonder, then, that he railed at the credit men who had ruined a business which had paid him such huge profits, and which, so it seemed, had held unlimited possibilities for future gains, with little danger of punishment for breaking the law.

A creditor of the Elite Bargain Shop threw the first monkey-wrench into the works of Abe's bankruptcy machine. He pressed Charlie Harris for payment of a long overdue bill. Charlie was indignant; he knew nothing about the bill, had never received merchandise from Jones and Company. Furthermore, he said, the letterhead bearing the name of the Elite Bargain Shop, on which the order was written, was counterfeit; and, not only that, the name of Charles Harris signing the order was a forgery, and he proved it to be so by writing his name for comparison.

The creditor apologized, and Charlie graciously accepted, saying that the error was entirely pardonable, under the circumstances. Charlie had forgiven several other creditors besides Jones and Company for making the mistake of demanding payment of bills contracted on forged orders, and he had become a finished acceptor of apologies.

And it was not long after Jones and Company set the Credit Protection Department men to find the forger of their order that Charlie became finished in another sense of the word.

Of the two credit birds assigned to the case, one was an owl. He watched the Elite Shop by night from the window of his room across the street from the store. The other investigator kept a lookout by day; but during the several days of their vigil they saw no merchandise in large volume taken from the store of many failures, nor could they find anyone who had seen goods in bulk removed from the Elite.

The records at the local freight station told why. They found there that merchandise valued at \$25,000 had come for Charlie Harris, and that the drivers of two automobiles had taken away the goods in their machines. The station agent showed them the bills of lading for the goods given him by the drivers, who had professed to be employees of Charlie, but whom Charlie, of course, did not know.

A motor cop was the next link in the chain of evidence. Yes, he recalled seeing a pair of trucks on several occasions, hurrying toward Cosmopolis with cases of goods aboard. In fact, come to think of it, he had warned one of the drivers, anxious to make a fast trip for many reasons, to speed more slowly. Sure, he remembered now. Both machines bore out-of-state license plates; and the number of the car he had chased and caught was right in his little black book.

The license number he showed to the investigators of the National Association of Credit Men was traced by wire to its home state and revealed the fact that the car was registered there in the name of Abe's wife. Another wire brought a description of Abe, himself.

In Cosmopolis an investigation was conducted in stores of the fire-sale class, and it was learned that a man of Abe's description occasionally visited the Billboard Store. Abe was immediately shadowed by a Credit Protection Department man, who discovered that, at the time, he had a financial interest in four stores, three in other cities and the fourth, the Billboard in Cosmopolis, in which he sold the loot of the others.

An examination by credit men failed to make Charlie Harris admit that he knew Abe, and the case was referred to the prosecuting attorneys in Charlie's town. He was arrested and after staying in jail for a month, during which neither Abe nor his

other accomplices dared to come to his aid lest they implicate themselves, he believed he had been deserted by his associates, and confessed the whole story to a representative of the N. A. C. M.

On the strength of his confession, warrants were issued for the arrest of Abe and the proprietors of the other two come-on stores. In view of the overwhelming evidence amassed against them, the quartet threw themselves on the mercy of the court with the hope of getting minimum sentences.

The judge listened to their stories, then heard the details of the case presented by the N. A. C. M. representative through the United States Attorney; and he sentenced them to three years each in Atlanta for their parts in a swindle involving \$250,000 over a period of several years.

As the Angel Abe sat in the train with his companions in crime and watched the countryside flash past the car window, he was ruminating deeply on the injustice of justice. Probably some old corsair leader, back in the days of our war with the African pirates, felt the same bitter enmity against Decatur and Preble and the other sea-going pirate catchers that Abe harbored toward the credit birds; and for a reason that is essentially the same.

Trade Group Operation

(Continued from page 22)

managers clarify the unsoundness of a risk or a class of risks for one and for all. If a customer is definitely unsafe for my house, he is likewise unsafe for my fellow credit manager and his house, or for the group of industries as a whole. Moreover, once a risk is soundly judged and perhaps a definite credit limit has been assigned to the risk, if "competition in credit" crops up, it is simply a pure gamble—and the word gamble is not in proper credit usage.

Many problems are thrashed out by trade groups. There are numerous weak accounts to be discussed in order to determine an unsafe risk in time to get out from under it. In almost every case where a customer who has begun to show signs of slipping and about whom the consensus

of opinion is favorable, a customer can be put on the right track and his business salvaged to the advantage of all concerned. One also learns to put appreciable value on a competitor's credit references. The discussion of financial statements as a class opens up undeniable attraction and profit. One can determine through scientific study of a number of similar financial statements and through the application of group ratio analysis whether an inventory is merely hopeful; whether the capital is only sufficient unto the day; or, whether the accounts receivable merely represent the best foot forward.

Credit Managers by groups are a good influence, growing in number and immeasurable strength. They are tackling their peculiar departmental problems of procedure; operating costs and facilities; also the shortcomings of their own particular organization in such manner that the benefits surely accrue in more co-operation, more service, more volume, with resultant less losses and more profits. This is a vital movement that is progressing rapidly under every encouragement. It is being participated in by increasing numbers of vigorous and enthusiastic credit managers. It deserves the support and co-operation of every credit manager.

Warning

THE Onondaga Pottery Co., Syracuse, N. Y., makers of Syracuse china, informs the CREDIT MONTHLY that a solicitor, claiming to represent them through a discount certificate company, has called on business men, usually plumbers and electricians, in various cities of the Eastern, Southern and Middle Western States, proposing to have certificates printed with the name of the local dealer. These certificates are to be given out to his customer and after the customer has secured a number of these certificates, he is to receive a set or a portion of a set of Syracuse china. In the cases reported, the solicitor collected money in advance, and the dealer who made the

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Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

Bankruptcy Law

Q. Should a creditor of a bankrupt estate, who has a mortgage on exempt property, be permitted to file his claim for the full amount without releasing his security?

A. It was held *In re Anderson*, (11 Fed. 2nd, 380) that a creditor who has a mortgage on exempt real estate is not a "secured creditor" within the definition contained in Sec. 1 (23) of the Bankruptcy Act. The reasoning of the Court was that a secured creditor is defined by the law as one who has security for his debt upon property of the bankrupt, of a nature which would pass to the trustee. This interpretation is also supported *In re Bailey*, 176 Fed. 990.

In our opinion the decisions are sound and the theory is correct. If a creditor, holding as security exempt property, were required to realize on the security first and file his claim for the difference, as is an ordinary secured creditor, the result would be that the exempt property would enure to the benefit of all of the creditors of the bankrupt.

The bankrupt, by giving a lien on the exempt property to a single creditor, has parted with something which the law cannot compel him to release, and he is entitled to give a preference to that extent. It would be inequitable for other creditors to receive the benefit of this voluntary act of the bankrupt by requiring the secured creditor to make the exempt security part of the general assets of the estate.

Discharged Bankrupt

Q. After a bankrupt has been discharged from his debts, may he thereafter again assume a legal obligation to pay them?

A. The law is well settled that a promise by one who has been discharged in bankruptcy to pay one of the discharged debts is a valid and binding obligation and it is one of the few cases in which a moral consideration is sufficient to support a promise and where no legal consideration is necessary. There is certainly nothing unethical on the part of the creditor in obtaining and enforcing such a promise.

Corporation Funds

Q. Has a creditor any legal remedy where an officer of a corporation has overdrawn his account and appropriated the corporation's monies for his personal use to the detriment of the creditors of the corporation?

A. Whether there is a remedy in such a case depends upon the facts and circumstances of the transaction. The law of New York contains a provision placing personal liability upon the officers and directors of a corporation if they permit the capital of the corporation to be impaired with their sanction and consent. It also makes any trans-

As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the *Credit Monthly*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—E. P. P.

fer of any portion of a corporation's property to any officer or director for his personal use, when the corporation is insolvent or has failed to pay its obligations, voidable at the instance of a judgment creditor or a trustee in bankruptcy.

The laws of New York give every possible protection to creditors and in case the inquirer is confronted with an actual case such as that mentioned in the inquiry, he should take it up with his attorneys who will probably be able to find a remedy.

Unfair Competition

Q. If a concern receives an order in writing from a customer, which has been duly entered and accepted, and a competing house persuaded the buyer to cancel the order with the first concern mentioned, what redress does the law give against the competitor?

A. The law does give a remedy in the form of damages for such an act and complaints regarding practices of this sort can be filed with the Federal Trade Commission at Washington. The most effective means of stopping such abuses would probably be to adopt the expedient of reporting the facts to the Commission. Such an act would not be a violation of the Sherman Anti-Trust Law unless it can be shown that it was part of a conspiracy in restraint of trade, or to fix prices.

Suit Against Receiver

Q. Can a receiver be sued to collect payment for goods furnished after the receivership?

A. A receiver is an officer of the court and the property he holds is in the custody of the court. The general rule of law is that a receiver may be sued only in the court which appointed him and only with leave of this same

court. The institution of suit against a receiver without first obtaining leave of the court is contempt of court. See also page 481 of the *Credit Man's Diary* for 1927 for further information.

Contract of Sale

Q. If a stipulation regarding attorney fees or collection costs is made on an invoice or on the original order, would such a stipulation be valid if the bill were not paid; and if so, in what states would this be the case?

A. A provision contained in a contract of sale to the effect that the purchaser will pay attorney's fees or costs of collection in the event that the buyer defaults in payment when due is a binding obligation and in our opinion would be upheld by the courts of any state. Such a provision on an invoice would be of no effect inasmuch as the invoice is not part of the contract. It is only when a stipulation for attorney's fees appears in a negotiable instrument that there is a question as to its enforceability.

Legal Holidays

Q. Would a stockholders' meeting held on a legal holiday be considered valid, and would anything done at that meeting hold legally in case any complications arose afterwards?

A. There appears to be nothing in the statutes of the State of Connecticut, (where the inquirer is located), which would raise any question as to the validity of the stockholders' meeting held on a legal holiday. The general rule is that there are no compulsory holidays having the effect of suspending the transaction of private business in the absence of a statutory provision to that effect. Thus, a statutory provision designating a day as a legal holiday and prohibiting the execution of any writ, process, warrant or judgment thereon, will not invalidate transactions between private individuals.

It would be the part of wisdom if a stockholders' meeting were held on a legal holiday to hold another meeting ratifying and confirming all acts that were performed at the first meeting. This is merely a matter of precaution.

Offer of Settlement of Debt

Q. A creditor received from a customer two notes for \$300 each and a check for \$73.40 in settlement of an account. Can the creditor retain the check and refuse to accept the notes, or would the offer of settlement have to be treated as an entirety?

A. Tendering the notes and the check in settlement is an offer on the part of the debtor to change the terms of payment. The creditor is under no duty to accept this offer and is entirely within its rights in retaining the check and returning the notes.

First Thing Looked For

"I wonder whether all of the 30,000 members of the N. A. C. M. appreciate the convenient device that the Association has set up to locate missing and absconding debtors," remarked the head of a large jobbing concern. "I refer to the Addresses Wanted column of the CREDIT MONTHLY. The moment the magazine reaches me, I look for this list and if any familiar names reach my eye, I immediately telephone the secretary of our local Association of Credit Men."

Addresses Wanted

ADAMS, ART, Kirksville, Mo.
ADAMS, C. F., Ordway, Colo.
ASCO DRESS CO., 306 Walnut Street, Phila., Pa.
BATH, B. B., Savannah, Ga.
BEAR CAT PRODUCTS CO., Oklahoma City, Okla.
BENNETT, J. G., Prince George Hotel, N. Y. C. later 1705 Penn Ave., N. W., Washington, D. C. May be with the United States Army.
BERGER, PHILIP, 37 Barclay Street, New York, N. Y.
BEST COAT MFG. CO., 27 Albany Street, Boston, Mass.
BOYLES, H. J., or BAYLES, American Print. & Publishing Co., 108 So. 4th Street, Muskegoe, Okla.
BREEDLOVE, C. M., operated collection agency, Globe Adjusting Bureau, Bristol, Va.-Tenn.
BREARLY, R. W., Emmetsburg, Iowa.
BROOKS, E. H., Lovefield, R. F. D., from Dallas, Texas.
BROWN, CHAS., Leachville, Ark., now supposed to be in Flint, Mich.
CALLANDER, PETE, travelling show business, Hotel Oakland, Oakland, Cal. Moved show business in 1924 to Honolulu; now believed to be in the States.
COLEBROOK, W. W., pres. Gas & Electric Equipment Co., West Palm Beach, Fla.
CONTINENTAL GARAGE BLDGS., 6735 So. Halstead Street, Chicago, Ill.
COOLEY, CHAS. M., 7717 Willow Street, New Orleans, La.
COOPER, GEORGE H., 165 Tillary Street, Brooklyn, N. Y.
COOPER, HARRY, 550 East 105th Street, New York City.
CORDA, IGNAZIO, 7401 13th Ave., Brooklyn, N. Y.
CRANNEY, J. J., New Rochelle, Elmira, also New York City.
CROOK, HARRY, prop. Indianapolis Radio Distributors, 23rd & College Sts., Indianapolis, Ind.
DENKER, JOSEPHINE B. (MRS. W.), operated the Art Shop, 208 Observer Ave., Rockville Center, N. Y.
DENITTO, JAMES PAGE, Dallas Show Hospital, 821 Exposition Ave., Dallas, Tex., said to have gone to Breckenridge, Tex.
DOWD, G. F., Montrose, Colo.
DUVAL PRODUCE CO.—JOHN LEWIS—JOHN SAFFA, props., 36 East Bay Street, Jackson, Fla.
ECCLES, JOHN S., Lake Park, Iowa.
EDWARDS, E. C., Gann Valley, S. Dak.
EISENBERG, MEYER L., 31 East Chippewa Street, Buffalo, N. Y.
EISENBROCK, M., 38 N. Virginia Ave. and 2314 Atlantic Ave., Atlantic City, N. J.
ERICKSON, WALTER A., San Acacia, Colo.
EVANS, J. H., Zanesville, Ohio.
FARRAGHER, G. F., Orland, Cal.
FREISINGER, J. E., Kansas City, Mo.
GLASSMAN, HENRY I., formerly at 29 Fairview St., Ludlow, Mass.
GREGORIOUS, GEORGE, 423 Summit St., West Hoboken, N. J.
GREGORY, D., 209 Elizabeth St., New York City.
HANDIPAC CO., 612 So. Dearborn St., Chicago, Ill.
HANSON, C. H., Vivian, S. Dakota.
HOLCOMB, P. A., Westington Springs, S. Dak.
HOLSE, R. W., San Acacia, Colo.
HOLST, VICTOR, San Acacia, Colo.
HUFFMAN, CHAS. H., Huifman Printing & Stationery Co., 16 W. 9th St. and 110 W. 10th St., Kansas City, Mo., former residence 5723 Harrison St., Kansas City.
JORPLAND, NELS, Norway, Iowa.
KANE, E. F., Wanneta, Nebr.
KOONTZ, A. E., Cedar Rapids, Iowa.
KRAGER, PETER, Waterloo, Iowa.

LICENZIATO, GENARO, 390 Broome St., New York City.
LINEMAN, E. A., Mechanicsville, Iowa.
LOUIS, JOHN & M., props., Ace Tire Jobbers, 4857 Lancaster Ave., Phila., Pa. Now believed to be in Lancaster, Pa.
MALLOZZI, IDA, Vineland, N. J.
MANGUM, J. E., Snedden Printery, New Nelson Bldg., Kansas City, former residence 428 No. Eubank St., Independence, Mo.
MASON, C. L., Denver, Colo.
MILANO, DOMINICK, 275 Bleeker St., New York City.
MILLER, JOHN S., Haigler, Nebr.
MIZELL, T. J., Ever Ready Electric Co., Dallas, Texas.
MYERS, RALPH D., Lake Park, Iowa.
NEEDLECRAFT SHOP, Leonore Tarof—Mrs. Ernest L. Tarof, New York City.
NEWPORT, B. F., Chattanooga, Tenn.
NEW YORK TRAY CO., 131 Spring St., New York City.
O'DELL, C. L., Charles City, Iowa.
OFFENBERG, LEO, 390 Canal St., New York City.
PEOPLES REAL ESTATE EXCHANGE, W. Stogner Flomaton, Alabama, or Delray, Florida.
PESTKA, MAX, Goose Lake, Iowa.
PILGRIM CLOTHING CO., 5 Harrison Ave., Boston, Mass.
RAFFNER, J. V., 108 Hillside Ave., Jamaica L. I., N. Y.
RAPPORT, SAM, 410 So. Hamlin Ave., Chicago, Ill.
ROSENBERG, J., 703 So. Crawford Ave., Chicago, Ill.
ROSOFF, JACK, Herkimer, N. Y., in July, 1926, said to have been in St. Paul, Minn.

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ROWETH, E. C., Wanneta, Nebr.
SCHNEIDER, W. C., Oxford, Iowa.
SHIPKOWSKI, M. A., Edwardsville, Pa., Believed to be in New York.
SILOSA, D., grocery business at 1801 Zonal Ave., Los Angeles, Cal., believed to be in Florida.
SIMON, MARGARET and A. G., New Salem, Pa.
SINISCALO, JOSEPH, 288 E. 149th St., New York City.
SOMMERS, JAMES D., pres., Central Filling Sta., Fort Myers, Fla.
STEPHENS, HARRY L., Beulah, N. Dak.
STEPHENS, J. H., Lanett, Ala., now believed to be in Florida.
SWARTZ, ORVILLE E., Swartz Hardware Co., Bedford, Ind., believed to be in Florida.
SZYMAUSKE, EUGENE, Los Angeles, Cal.
TAROF, LEONORE, (MRS. ERNEST L. TAROF) Needlecraft Shop, 184 Main St., Port Washington, L. I.
WALKIN, H., Los Angeles, Cal., believed to be in Chicago.
WASOBA, C. L., California.
WINN, R. E., 235 No. Michigan Ave., Chicago, Ill.
VOSS, A. J., operated pool hall and confectionery store, Fromberg, Montana.



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Knoxville—Adjustment Bureau of the Knoxville Association of Credit Men, American National Bank Bldg., W. E. Bibee, Mgr.

Memphis—Adjustment Bureau of the Memphis Association of Credit Men, P. O. Box 211, E. N. Dietler.

TEXAS—Dallas—North Texas Credit Interchange & Adjustment Bureau, Suite 723, Santa Fe Bldg., Vernor Hall, Mgr.

El Paso—Adjustment Bureau of the Tri-State Association of Credit Men, 623 Caples Bldg., James Neeson, Mgr.

Houston—Adjustment Bureau of the Houston Association of Credit Men, 315 First National Bank Bldg., Morris D. Meyer, Mgr.

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UTAH—Salt Lake City—Adjustment Bureau of the Inter-Mountain Association of Credit Men, 1411 Walker Bank Bldg., T. O. Scheckell, Mgr.

VIRGINIA—Lynchburg—Adjustment Bureau of the Lynchburg Association of Credit Men, 405 Lynch Bldg., S. H. Wood, Mgr., Mrs. M. A. Blair, Asst. Mgr.

Norfolk—Adjustment Bureau of the Norfolk-Tidewater Association of Credit Men (Branch Office of Richmond Credit Interchange & Adjustment Bureau, Inc.), 1210 Bank of Commerce Bldg., Shelton N. Woodward.

Richmond—Richmond Credit Interchange & Adjustment Bureau, Inc., 515 State & City Bank Bldg., J. P. Abernethy, Mgr.

WASHINGTON—Seattle—Adjustment Bureau of the Seattle Merchants Association, 314 Colman Bldg., H. S. Gaunce, Mgr.

Spokane—Spokane Merchants Association, 718 Realty Bldg., J. D. Meikle, Mgr.

Tacoma—Wholesalers' Association of Tacoma, 808 Tacoma Bldg., E. B. Lung, Sec'y.

WEST VIRGINIA—Clarksburg—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr.

Huntington—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., E. V. Townshend, Mgr.

Bluefield—(Branch Office) Tri-State Credit & Adjustment Bureau, Bailey Bldg., R. W. Newton, Mgr.

Charleston—(Branch Office) Tri-State Credit & Adjustment Bureau, 406 Capital Natl. Bk. Bldg., Lee H. Henkel, Mgr.

WISCONSIN—Milwaukee—Adjustment Bureau of the Milwaukee Association of Credit Men, 706 Mayer Bldg., Jas. G. Romer, Executive Mgr.

Green Bay—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, Kellogg National Bank Bldg., C. W. Shekey, Mgr.

Oshkosh—Adjustment Bureau of the Central Wisconsin Association of Credit Men, 76 Main St., C. D. Breon, Mgr.

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